ESTABLISHED 1839

The COMMERCIAL and FINANCIAL CHRONICLE

Reg. U. S. Pat. Office

Volume 187 Number 5716 New York 7, N. Y., Thursday, February 13, 1958 Price 50 Cents a Copy

EDITORIAL

As We See It

It would be a good thing if those who are apparently placing the Administration under greater and greater pressure to "do something" to revive the boom that has lost some of its steam would take the trouble to refresh their memories about what happened when the New Deal went to work in 1933 to put an end to the great depression then lying heavy upon the land. They seem to have in mind essentially the same cures that were to put us all back into business in the mid-'Thirties. It will be recalled that the Roosevelt Administration undertook to get prices back up to some level well above that then prevailing, to get millions of unemployed back to work, and in general to restore prosperity.

"Broaden Credit Base"

One of the chief reliances of the New Deal managers was a planned manipulation of banking and the monetary system. President Hoover had been convinced in 1932 that a revival of business might be induced by "broadening the credit base." Accordingly, the Federal Reserve System began in April 1932, to buy large quantities of government bonds and thus add to the reserves of member banks, which, according to then current thinking, would proceed to pump credit out into the business world. During the year 1932 the government bond portfolio of the Reserve system more than doubled to close the year with a holding of some $1,855 million as compared with $817 million at the beginning of the year.

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Exerting Enough Pressure But Not Too Much

By WILLIAM McCHESNEY MARTIN, JR.*

Chairman, Board of Governors of the Federal Reserve System

Mr. Martin answers questions regarding monetary policy to expect, favorable recovery factors operating, and programs for either revival or recession, and emphasizes policies should not exert too much pressure. The Reserve Chairman depicts today's adjustment problems as an aftermath of an inflation crisis, and believes excesses were halted before creating maladjustments of protracted liquidation and structural economic realignment. Opines that past summer's change in government spending had an unsettling effect on business and warns we should temper fiscal action to meet our defense needs based on a strong and progressive economy.

Only five years ago, we were exploring the role of credit and monetary policy in some detail and at some length with a subcommittee of (the Joint Economic Committee) charged with making an inquiry into "Monetary Policy and the Management of the Public Debt: Their Role in Achieving Price Stability and High Level Employment." It will be recalled that one of the issues was the potential contribution of flexible monetary policy in fostering balanced and orderly economic growth. In our presentation, we emphasized that flexible monetary policy could make a positive contribution to stable economic growth, indeed was indispensable to it, though it could not do the whole job. Although monetary policy was only one of the instruments available to government policy to help carry out the objectives of the Employment Act of 1946, it

W. McC. Martin, Jr.

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*Statement by Mr. Martin before the Joint Economic Committee, Washington, D. C., Feb. 6, 1958.

World Monetary Problems And United States Policies

By PHILIP CORTNEY*

Economist and President, Coty, Inc.
Chairman, U. S. Council, Intl. Chamber of Commerce

Without absolving other countries of their responsibilities, Mr. Coty ascribes greater blame for international economic disorder on our protectionist pursuit of a perpetual boom—and such side effects as $60 billion in foreign aid — and urges import-liberalization to help restore sterling convertibility. Moreover, the noted international business leader claims that should U. S. A. and Great Britain decide to stop inflation and restore sterling convertibility it will be desirable and necessary to devalue gold to $70 an ounce — instead of makeshift schemes to obtain artificial reserves in place of adequate gold reserves. Expresses conviction sterling can be made fully convertible, and criticizes basing prosperity on monetary-credit abuses and unjustified wage increases.

Twelve years after the end of World War II, international monetary disorder is still with us, but so are the balance of payments difficulties, exchange controls, import quotas and all the rest of the pharaphernalia for restricting trade. During World War II we made solemn statements expressing our determination to reestablish free convertibility of currencies and to expand multilateral non-discriminatory trade. We created the International Monetary Fund in order to restore and maintain monetary discipline, and yet permit individual countries to experiment with new theories regarding full employment. For a variety of reasons, among which conspicuously incompetence, political demagoguery and lack of leadership, we have abandoned our professed goals and accepted a policy of expedients, in line, be it said in passing, with

Philip Cortney

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*An address by Mr. Cortney at the 13th Mississippi Valley World Trade Conference Jan. 27, 1958, New Orleans, La.

SECURITIES NOW IN REGISTRATION—Underwriters, dealers and investors in corporate securities are afforded a complete picture of issues now registered with the SEC and potential undertakings in our "Securities in Registration" Section, starting on page 34.

The Security I Like Best

A continuous forum in which, each week, a different group of experts in the investment and advisory field from all sections of the country participate and give their reasons for favoring a particular security.

(The articles contained in this forum are not intended to be, nor are they to be regarded, as an offer to sell the securities discussed.)

HUBERT F. ATWATER

Wood, Walker & Co., New York
Members New York Stock Exchange

S. S. White Dental Manufacturing Co.

The investment analyst in his frequent visits to his dentist realizes that the moment he steps into the dentist's chair he is at a distinct disadvantage. While doing his work, the dentist is apt to keep up a running comment of conversation including his opinion on investments and the world in general, but the poor analyst, though his mouth is open, is unable to utter a word.

Hubert F. Atwater

Many episodes of this character have occurred in my meetings with a rather resourceful and well-read dentist. Very often, we have discussed the question of why is there not an opportunity for investment in the companies that for so many years have furnished the dental profession with equipment, supplies and accessories.

Our attention centered on S. S. White Dental Manufacturing Co. as being the largest and probably the best known company in the field. Founded by S. S. White in 1844, it was incorporated under its present title in 1881 and has paid its stockholders a dividend in every year since.

There are 368,223 shares of stock outstanding, no funded debt and no preferred stock. At the end of 1956, the stock had a book value of $41.70 and a net working capital of $31 per share. Dividends in 1956 and 1957 were $1.60 per share and the policy of paying out about 60% of the earnings seems indicated. For the last ten years, the cash dividend has afforded a return of about 6% on the mean market price.

All these facts might indicate a degree of stability that will appeal to only a very conservative investor. However, my study of the interim reports for 1957 indicates that there has been a decided rise in the volume of business and the President has announced an estimate of profits for the past year of about $3.00 per share, compared with $2.56 in 1956.

The S. S. White Dental Manufacturing Co. is the largest enterprise of its kind in the world, its management is conservative and able. Therefore, its stock has investment attraction. It must not be looked to for spectacular performance.

During 1957, the Company obtained a license to manufacture and sell a dentist's high speed drill employing the principle of an air turbine. Because of the high speed at which the drill operates and the cooling stream of water which accompanies it, the patient does not feel vibration or the sense of heat when the drill is in operation, in fact, he may find the sensation "almost nice."

Volume in the sale of equipment, supplies and services to the dental profession reflects the rise in the general level of income during the past years, the greater stress placed upon dental care by health authorities and the remarkable improvement in the art. It would be foolhardy to place too much reliance upon sales or any particular item but one should consider the growth that comes from doing a better job for more people as the profession is trying to do.

The stock had some recovery from the low prices recorded in December, but at 29 the yield is now about 5½ which is attractive in a stock of this quality.

AUGUST HUBER

Partner, Spencer Trask & Co., New York City
Members New York Stock Exchange and American Stock Exchange

G. C. Murphy Co.

With the present market environment conducive to increased attention toward stability and income return, equities possessing such characteristics have reflected greater investment interest. The variety chain store stocks have been a friendless group during recent years. The result has been a steady downtrend in stock prices which has now brought them to well deflated levels. The current yields in this group are relatively high—from 6½ to 7%—on well protected current dividend rates among the better situated issues.

August Huber

The underlying causes of the downtrend in stock prices have revolved around (1) inability of variety chains to obtain their share of total consumer spending while (2) having had to cope with higher labor and tenancy costs. Profit margins consequently declined, earnings sagged and the stocks lost investment appeal. Considering the economic trends new prevailing, these conditions may now be largely arrested and a better grade issue like **G. C. Murphy**, listed on the New York Stock Exchange, is selling at a well deflated price and affords an excellent income return.

(1) **G. C. Murphy** ranks as the fourth largest variety chain in the U. S. The Company is first in sales per store.

(2) Since 1947-49 sales have increased 54% compared with the industry average of 28%.

(3) The Company ranks best of the variety chains in terms of return per dollar of capital invested.

(4) **Murphy's** profit margins have been among the top in the field—10.1% in 1956 and probably about 9.4% in 1957 (Woolworth, 1956—8.5%; Kresge, 9.6%; Newberry, 6.9%; Kress, 11.6%; Grant, 6.2%—all somewhat lower in 1957).

(5) Dividends have been paid each year since 1913. For the past eleven years $2.00 per share, or better, has been paid. The dividend for the past three years has been $2.12 per share, which amount appears secure.

(6) 1957 sales were $208 million, up from $205 million in 1956, and a new high record.

(7) 1957 earnings, reflecting the narrower profit margin, should be about $3.75 per share against $4.10 in 1956 (which was the highest since 1950). Average earnings for the past five years were $3.60 per share.

(8) The 1957 dividend of $2.12 is only 56% of earnings, representing the most conservative pay-out among the variety chains—a factor of strength relative to the dividend continuity.

(9) The shares have declined almost steadily since 1951 from a high of 61 to a current price around 33. Operating earnings in 1951 were $3.81 per share and the dividend $2.38. Current earnings are around tthe same level as shown then and meanwhile book value, for example, has increased from $25 per share to about $33.

(10) The present price of about 34 appears well deflated, relative to earnings, underlying value, quality, and a yield of 6.4%.

(11) The share have attraction at this time on the basis of (a) defensive characteristics from this price level, (b) high income return, and (c) interesting possibilities for future price recovery.

This Week's Forum Participants and Their Selections

S. S. White Dental Mfg. Co.—Hubert F. Atwater, of Wood, Walker & Co., New York City. (Page 2)

G. C. Murphy Co.—August Huber, Partner, Spencer Trask & Co., New York City. (Page 2)

COMING EVENTS

In Investment Field

Feb. 13, 1958 (Chicago, Ill.)
Bond Club of Chicago annual meeting and dinner at University Club.

Feb. 14, 1958 (Boston, Mass.)
Boston Securities Traders Association 34th annual dinner at the Sheraton Plaza Hotel.

Feb. 21, 1958 (Houston, Tex.)
Stock & Bond Club of Houston annual Field Day at Lakeside Country Club.

Feb. 21, 1958 (Milwaukee, Wis.)
Milwaukee Bond Club annual meeting and election at the Pfister Hotel.

Feb. 27, 1958 (Detroit, Mich.)
Detroit Stock Exchange annual dinner at the Statler Hilton.

Feb. 28, 1958 (Philadelphia, Pa.)
Investment Traders Association of Philadelphia annual Mid-Winter Dinner at Bellevue-Stratford Hotel.

March 7, 1958 (New York City)
New York Security Dealers Association 32nd annual dinner at the Waldorf-Astoria.

April 11, 1958 (Toronto, Canada)
Toronto Bond Traders Association annual dinner at the King Edward Hotel.

April 23-25, 1958 (Houston, Tex.
Texas Group Investment Bankers Association annual meeting at the Shamrock Hotel

April 25, 1958 (New York, N. Y.)
Security Traders Association of New York Annual Spring Dinner at the Waldorf-Astoria.

May 1 & 2, 1958 (St. Louis, Mo.)
St. Louis Municipal Dealers Group annual outing.

June 9-12, 1958 (Canada)
Investment Dealers' Association of Canada annual convention at Manoir Richelieu, Murray Bay Quebec

June 19, 1958 (Minneapolis-St. Paul)
Twin City Bond Club annual picnic and outing at the White Bear Yacht Club, White Bear Lake, Minn.

The Periodic Stock Dividend —Boon or Sop!

By JOHN H. MYERS
Professor of Accounting, Northwestern University, Chicago
and
LOYD C. HEATH
Teaching Assistant, Department of Economics, University of California, Berkeley, Calif.

University economists term illogical the increasing popularity of periodic stock dividends; maintaining their receipt does not constitute income and adds mechanical and bookkeeping burdens. Assert from corporate standpoint, they offer nothing except pleasing stockholder. Maintain aims can be better accomplished by the split. Report slight price rise accompanies stock dividend payment, but this may be due to other factors. Conclude device constitutes mere sop to uninformed stockholder demand.

Stock dividends have come back into vogue in recent years after nearly 25 years of unpopularity. Standard and Poor's "Outlook"

John H. Myers   Loyd C. Heath

lists 412 well known corporations that paid stock dividends in 1956 compared with 314 in 1955, and only 260 in 1954. It now appears that the number of companies paying stock dividends in 1957 will even exceed the 1956 record. With this increased popularity it becomes pertinent to re-examine some of the various factors management must consider in reaching the decision to pay a stock dividend.

Definitions

Although there may be technical accounting considerations distinguishing a stock split from a stock dividend,[1] perhaps the most important consideration is that of size. Ordinarily a stock split at least doubles the number of shares outstanding whereas a stock dividend increases the number outstanding by something less than 25%.

Messrs. Graham and Dodd[2] distinguish among the types of stock dividends:

(1) Extraordinary — "one that capitalizes a substantial part of the accumulated surplus of past years."

(2) Substitutional—"one that is declared in place of the regular cash dividend."

(3) Periodic—"one that capitalizes part of the current year's earnings only."

The first type of stock dividends are generally 100% or more. Although there may be accounting considerations which may prompt the issuing corporation to refer to such a distribution as a stock dividend, the motive is generally the same as for a stock split, they are frequently considered as stock splits by stockholders, and they may therefore be regarded as stock splits or "split-ups effected in the form of dividends." They are not discussed in this article.

Substitutional stock dividends are usually understood to be those in which stock has been substituted for all of the cash formerly paid. Prentice-Hall paid two such dividends in 1956. When both cash and stock are paid, the question of substitutional or supplemental cannot be answered. Such substitutional dividends may be used either in the case where a corporation is temporarily short of cash, or where an extremely rigorous expansion program drains the company of cash which might otherwise be used for dividends

Continued on page 28

1 Technically, a stock dividend and a [illegible] by the accompanying accounting entries. [illegible] surplus) and the capital stock account both remain unchanged, the distribution would be regarded as a stock split. If, however, there is a transfer of some of the retained earnings to the fixed capital accounts, the distribution would be regarded as a stock dividend.

The American Institute of Certified Public Accountants, however, now takes the position that stock splits and stock dividends should be distinguished on the basis of the motive of the issuing corporation in paying them. If the distribution is prompted by a desire to give stockholders some evidence of retained earnings, it should be termed a [illegible] dividend, whereas if the motive behind the distribution is to effect a reduction in market price per share to broaden the base of ownership, it should be termed a stock split. The Institute does, however, recommend that where the motive would require the distribution to be described as a stock dividend, the "fair value" of the additional shares issued should be transferred from earned surplus to capital stock or capital surplus. Such a transfer is not considered necessary in the case of a stock split, but the Institute feels that there would be few instances of distribution of less than 20-25% where it could properly be said the motive was such that it might be termed a stock split. Even in these cases where surplus is transferred to the capital accounts, as is recommended for a stock dividend, if the motive is to reduce market price per share to effect wider distribution, the Institute recommends the distribution should still be called a stock split. [illegible] ations require that the word "dividend" be used in describing such a di[illegible], it is recommended by both the New York Stock Exchange and the Institute that it be described as a "split-up effected in the form of a stock dividend." (See American Institute of Accountants, *Accounting Research Bulletin No. 43*, Chapter 7, Section B, and New York Stock Exchange, *Company Manual*, Sections A 13 and A 14.)

2 Benjamin Graham and David L. Dodd, *Security Analysis*, Third Edition, McGraw-Hill Book Company, Inc., 1951, p. 440.

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Articles and News

Regular Features

Published Twice Weekly
The COMMERCIAL and FINANCIAL CHRONICLE
Reg. U. S. Patent Office
WILLIAM B. DANA COMPANY, Publishers
25 Park Place, New York 7, N. Y.
REctor 2-9570 to 9576
HERBERT D. SEIBERT, Editor & Publisher
WILLIAM DANA SEIBERT, President
Thursday, February 13, 1958
Every Thursday (general news and advertising issue) and every Monday (complete statistical issue — market quotation records, corporation news, bank clearings state and city news, etc.).
Other Offices: 135 South La Salle St. Chicago 3, Ill. (Telephone STate 2-0613).

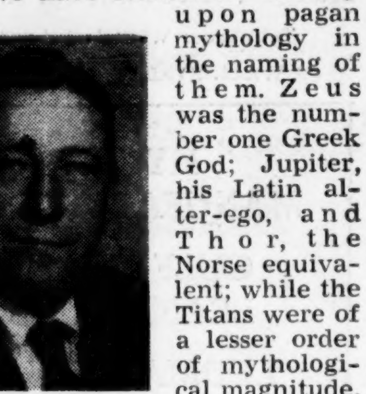
Reentered as second-class matter February 25, 1942, at the post office at New York, N. Y., under the Act of March 8, 1879
Subscription Rates
Subscriptions in United States, U. S. Possessions, Territories and Members of Pan-American Union, $65.00 per year in Dominion of Canada, $68.00 per year Other Countries, $72.00 per year
Other Publications
Bank and Quotation Record — Monthly $40.00 per year. (Foreign Postage extra
Note—On account of the fluctuations in the rate of exchange, remittances for foreign subscriptions and advertisements must be made in New York funds

Of Myths and Missiles

By DR. IRA U. COBLEIGH
Enterprise Economist

Setting down some random notes about our expanded program of rocketry, and indicating some of the companies especially in line to benefit from same.

Perhaps one of the reasons for delays and disappointments in perfecting our missiles has been that we have leaned too heavily upon pagan mythology in the naming of them. Zeus was the number one Greek God; Jupiter, his Latin alter-ego, and Thor, the Norse equivalent; while the Titans were of a lesser order of mythological magnitude. However much these pagan monikers may have denoted, or inferred, great celestial altitudes, we might have had better luck had we named a missile after St. Paul who said, "I do not run aimlessly" (I. Corinthians 9:26). Be that as it may, name or no name, we now have operational an intermediate range missile, and a companion in the skies for the Soviet Sputniks (which gave rise to a new Russian expression "As nervous as a midget in Moscow!").


Ira U. Cobleigh

But enough of this whimsy. Let us proceed to our task of evaluating the relative importance of missile business to various companies. That such an appraisal is timely, from the investor viewpoint, is best indicated by the action of the Congress, last week, which added $700 million to current outlays for ballistic types alone; and carried to above $5 billion the sum to be spent on missiles (both ballistic and guided) between June 30, 1957 and June 30, 1958. This is a lot of money, and it's bound to affect favorably the earning power of certain companies. Our task is to discover which, since we have observed a considerable amount of loose buying in securities of certain companies on the theory that they might benefit from missile money when, in fact, such a conclusion is unfounded and unwarranted.

For example, board room comment frequently heard includes Westinghouse, Minneapolis-Honeywell, Radio Corp. and General Electric as major beneficiaries of the rocket and missile business. While there are splendid reasons why the stocks of such companies may be regarded as desirable, large potential gains in earnings from missile business, in each case, are most unlikely. What, then, are some of the companies with a real and major stake in space age hardware?

Surely one such is **General Dynamics.** Long a leader in aviation through its Convair division, its B-58 jet bomber is now slated to succeed the B-52. It has now moved heavily into missiles. It is a major contractor for the Atlas intercontinental ballistic missile, and is in process of completing a $40 million production facility for that alone. General Dynamics is producing the Terrier I, Terrier II and Tartar anti-aircraft guided missiles and the Wizard. It is important in military electronics through its Stromberg-Carlson division; and at Electric Boat it's turning out the nucleonic submarines from whose decks missiles will, in due course, be launched.

The common of General Dynamics now selling around 63, paying $2 and earning around $4.90 per share, is a valid across-the-board equity entry into the rocket age. Management is both effective and imaginative.

Another company whose fortunes importantly depend on missiles is **Martin**, whose common is listed on NYSE and sells today around 34. In fact, Martin does no civilian business at all. It was long identified with the development of seaplanes and has a present contract for developing a long range jet bomber, the Seamaster, for the Navy. But its major work is in missiles as contractor for three tactical missiles, the Bulldog, Bullpup and LaCrosse; and for the Navy IRBM Vanguard; and the Air Force ICBM, the Titan. Martin shares have fluttered a bit recently due to publicity surrounding the misfires of Vanguard, but over the long run Martin should give a good account of itself. Its 1957 per share net was probably around $3.20, against a $1.60 cash dividend.

Another broad participant in missiles is **North American Aviation** which, through its Rocketdyne division, provides the liquid fuel for Redstone and Jupiter, and is developing the fuels for Thor, an Air Force IRBM, and for the Atlas ICBM. North American is also doing important development work on air-to-air, air-to-surface missiles; and on a revolutionary new type bomber, the WS-110A.

North American Aviation common had a 1957-58 price range between 20⅛ and 39¼. At today's quote around 30, the stock might seem attractive on the basis of the $1.60 dividend.

General Tire Company, which started out as a tire manufacturer, especially for the replacement market, has branched out widely into plastics, synthetics, chemicals, television, broadcasting and motion picture production. It is also very big in missiles through Aerojet General (83% owned). This company is the largest supplier of rocket motors; and has probably the most complete facilities for development, production and testing of rocket motors, propelled by either liquid or solid fuels. It is the major engine contractor for Titan ICBM, and the Navy Polaris IRBM.

Stock of General Tire sells at 28, pays 70c (plus a stock extra). There's also a 5½% preferred around 92, and a debenture (with warrants) selling over-the-counter around 118.

Thiokol Chemical Corp. has attracted a wide speculative following based on the brilliance of company, management, and belief in solid fuels as the ultimate in rocket propulsion. Solid fuel rocket engines can be easily stored and ready for instant use; many believe they are more reliable and far less likely to misfire; and they remove the risks of the highly explosive chemicals of which liquid fuels are made. Right now Thiokol makes the rocket engines for the Sergeant, LaCrosse, Recruit, Nike Hercules and the Polaris.

Since 1954 Thiokol sales have been increasing at the rate of around 50% a year. The stock, which was recently split two-for-one, has been a spectacular market performer and evidences its "romance" qualities by selling some 21 times indicated current per share earnings.

(Other companies bearing on the missile industry through development of fuels would include **Olin Mathieson; Stauffer Chemical; U. S. Borax;** and **American Potash and Chemical**, all of whom are contributing to the development of boron fuels.)

Of the old-line air frame companies, **Douglas** and **Lockheed** are important in missiles. Douglas is a major contractor for Thor, Honest John, Sparrow II, three series of Nikes, and Genie. Lockheed is a major contractor for the Navy IRBM Polaris.

For guidance systems, **Raytheon Corp.** is a major factor. For the lenses for aerial photography, and tracking systems to plot the courses of these sometime erratic performers, **Perkin-Elmer Corp.** is making quite a name for itself (stock Over-the-Counter Market around 28).

It would be impossible in so short a piece to tabulate all those companies serving the missile market with either frames, power plants, guidance systems, fuels, tracking systems, heat resistant metals and re-entry techniques. Our aim has been rather to spotlight those companies beaming a main part of their corporate energies toward the production and perfection of missiles. Here is an industry growing at a fabulous rate. We are indeed in an accelerated missile program and after the military necessity for these high velocity, high altitude cigars has waned, the equipment and techniques perfected may, in due course, make the Mars-Jupiter Spaceship Corp. (mythical) as important an air transport enterprise as Pan American Airways!

Vincent M. Doherty Joins Jerry Thomas & Co.

PALM BEACH, Fla.—Vincent M. Doherty has become associated with Jerry Thomas & Co., Inc. 238 Royal Palm Way. Mr. Doherty, who has been in the investment business in Florida for many years, was formerly with Emerson Cook Company and prior thereto conducted his own investment business.

Copley Adds to Staff

(Special to THE FINANCIAL CHRONICLE)

COLORADO SPRINGS, Colo.—Robert A. Lincoln has been added to the staff of Copley & Co., Independence Building.

The State of Trade and Industry

Steel Production
Electric Output
Carloadings
Retail Trade
Commodity Price Index
Food Price Index
Auto Production
Business Failures

Sentiment the past week appeared to be growing among a number of people in trade and industry that the soft spots in our economy are only temporary and will in the months ahead change for the better.

With respect to the inventory situation, several suppliers are of the opinion that inventories have reached a point where it will be necessary to place orders to bring them into proper balance. Even credit is readily available with no heavy pressure being exerted to obtain loans from banks. As for installment debt, it was reported that such debt expanded in 1957 by about $2,300,000,000 or one-half billion under that of the year before. Credit repayments, on the other hand, increased to $40,000,000,000 the past year from slightly more than $37,000,000,000 in 1956.

Touching upon the change in business sentiment in the closing months of 1957 from one of over-optimism to extreme pessimism by some, George Luthy, President of the Commercial National Bank of Peoria, Ill., stated in his annual message to the bank's stockholders that neither attitude has been fully warranted and added:

"The high level of expenditures for the construction of plant and the purchase of equipment, as well as the extensive home building program which has continued almost unchecked for a period of twelve years, was almost certain to hesitate for a time at least. Nonetheless, improvement in standards of living for this nation and for the world as a whole can come only from new construction of plant and further improvements and additions of existing production units. This demand is as broad as the material appetites of the people of the world. It is not conceivable that it will be held in check for long."

Turning to retail trade, it was currently reported by the United States Department of Commerce that retail sales totaled a record $200,000,000,000 in 1957, a gain of 5% in dollar volume over that of 1956.

On a seasonally adjusted basis, retail sales showed a $300,000,000 gain to $16,900,000,000 in December, the agency declared.

The department also reported that retailers' inventories at the end of December were some $200,000,000 higher than the previous month, on a seasonal basis. The total was estimated at $24,500,000,000 on a seasonal basis—some $700,000,000 higher than at the end of 1956.

Most of the increase was attributed to higher stocks of auto dealers.

With regard to the country's employment situation, unemployment figures will start dropping in March, according to predictions by Robert C. Goodwin, director of the Bureau of Employment Security. However, he pointed out that the decline was expected to be slow and no great improvement in the situation was foreseen before July. Mr. Goodwin's appraisal was made in recent testimony supporting a request to Congress for supplementary jobless benefit funds for state agencies. From January through June, he observed, these agencies will pay out over $1,600,000,000 in unemployment compensation or 72% more than in the like 1957 period.

This month the steel industry will emerge from the most severe recession in recent years, "The Iron Age," national metalworking weekly reports this week, but cautions that the end of the decline in orders and production by no means suggests an immediate splurge in new business. It states that there will be a very mild pickup in April and May with some early straws in the wind in March.

A survey of the steel market shows that the steel industry's confidence is a little more potent than it was a month ago. Some of this change in attitude may be because the industry is becoming accustomed to the low order level, but it is also based on some solid indicators.

This trade paper further reports that the steel price structure is still strong with no signs of bending. Recent declines in a few stainless steel prices are not considered a weakness in the price structure of that type of steel. These changes have had no effect on the general steel price structure.

Were it not for the strong basic condition of steel prices, the industry probably would be back in the so-called pauper stage, a position all steel companies hope they never get into again.

Higher wage costs, high material costs, expansion costs and the need for liquidity to carry out future necessary repairs, maintenance and expansion are realistic reasons why there has been no demoralization in the price structure so far.

In fact, there is every indication that higher wage costs on July 1, imbedded in the current labor contract, coupled with those which went into effect Jan. 1, will force a price increase in July ranging from $5 to $7 per ton, "The Iron Age" predicts.

Commenting on the new steel industry capacity of 140,700,000 tons, "The Iron Age" reports the steel industry spent a record $1,750,000,000 in 1957, adding 7,300,000 tons to its capacity.

In the face of the slowest steel market since 1954, steel producers are cutting down expansion spending somewhat this year to about $1,000,000,000.

A breakdown by "The Iron Age" steel producing districts shows that the Philadelphia district led in tonnage gained during the year. It picked up 2,400,100 tons compared with Cleveland which was in second place with a gain of 935,000 tons. Chicago gained 741,000 tons and Pittsburgh 677,510 tons.

The opening week in February in the automotive industry finds United States car makers operating 27% below a year ago, "Ward's Automotive Reports" stated on Friday of last week. The trend is expected to persist through the month.

The statistical publication estimated output at 108,065 cars and

Continued on page 32

Observations . . .

By A. WILFRED MAY

BOOM—AND PRICE INFLATION TOO?

The proclivity to under-weight or gloss-over the actual basic line of demarcation between inflation and expansion is highlighted importantly, if unwittingly, in a new best-seller, *BOOM AND INFLATION AHEAD AND WHAT YOU CAN DO ABOUT IT, By W. M. KIPLINGER and Staff (Simon and Schuster, N. Y., 96 pp., $1.95)*. "This treatise,"* in the shape of a pamphlet, by the author of the famous Kiplinger brain-trusting letters for businessmen, offers the layman a remarkably succinct, simple, and clear set of rules for his conduct under the expected resumption of an era of dramatic economic growth accompanied by "inflation" defined in terms of price rise. To the tune of 5,000 copies weekly, this valuable little economic primer is already a best-seller.

A. Wilfred May

Very logical and convincing are its projections of *growth* depicted for the coming quarter century, after troublesome 1958 shall be out of the way. This will take the form of a rejuvenated building boom, a flood of new businesses with big businesses getting bigger, growing population, rising wages with more time to enjoy them, a third more farm production, more and better everything including a doubling of the annual number of weddings; in fact, an all-round rise in living standards.

Accompanying this thoroughly delectable course of events there is to be a price rise, with interruptions it is true, but pressing on at an average rate of 1½% per year, or via compounding, 50% in 25 years; with a shrinking of today's dollar to 67c. The expectation of price advance, creeping or otherwise, is based on the pressure of effective union wage demands.

The Past Record

However reasonable this expectation appears to be, the *past* performance of the price level comes to mind. For, somehow, in the face of equally logical past expectations to the contrary, major long-continuing price falls have come about. The long-term history of the price level shows that ever since the 18th Century the occurrence of a war was required to interrupt its sagging tendency. As Dr. William A. Berridge, economist of the Metropolitan Life Insurance Company, points out in an article in the "Journal of Insurance",* the role of wars in producing inflation so impressed the U. S. Bureau of Labor Statistics that it published its long history of wholesale process with each war emphasized by a picture of a soldier in the uniform of that day, crouched and boosting the price curve. The American Revolution, the Napoleonic War and our War of 1812, the Civil War, World Wars One and Two, the Korea conflict, each decisively interrupted sagging to falling wholesale and consumer prices.

Peacetime Price Softening

Between wars, as had been detailed in this column on previous occasions, there have constantly recurred in this and in the inflation-ridden countries as well, extended periods of price decline, far beyond the "possible short period" interruptions taken into account by Mr. Kiplinger and the other present-day commentators taking "inflation" for granted. During the 30-odd-year period extending from the late 1860's to almost the very end of the century, both wholesale prices and the Consumer Price Index persisted in a general downtrend. Following World War One, prices fell, and in the face of the New Era boom of the late '20's, did not re-attain their 1921 level until 1946, a full quarter-century interval pending the occurrence of another major war. Again during our recent boom, industry- and stock market-wise, since the end of the Korea hostilities, the Consumers Price Index remained quite stable until a year ago.

Inflation Atmosphere Ruled Then Too

These actual records were registered in the face of the prevalence, as now, of cogent reasons for the expectation of continuing inflation — galloping, trotting, or creeping; with those supposedly controlling factors of union labor strength and pressure group politics equally strong during the recent price doldrums of the '50s.

And there are several specific restraining factors on the present scene undermining the New Era-ish "it's different now" premise. We have returned to an overproduced and/or over-inventoried status in several lines, as textiles, metals, steel, paper, and autos in the "administered" sector. There is the present-day anti-inflation-slanted philosophy of the Federal Reserve System, which can be implemented by increasing reserve requirements of member banks, raising the rediscount rate, and selling government securities in its open-market operations. And the government itself can cut spending, curtail farm subsidies and raise taxes (in an off-election year), tighten up on instalment buying and real estate loans.

It is true that these brakes would be effective vis-a-vis economic activity more surely than against the price level. This is a distinction in line with the chronic divergent courses of businesses and prices, during periods of expansion as well as contraction.

*Vol. XXIV, No. 2, November, 1957, American Association of University Teachers of Insurance.

Auchincloss Parker To Admit New Partners

WASHINGTON, D. C.—Auchincloss, Parker & Redpath, 729 Fifteenth Street, N. W., members of the New York Stock Exchange and other leading exchanges, on February 20th will admit Todd Alexander, Irving S. Amrhein, J. Raymond Boyce, Milton Lyons, Harry E. Moore, Robert T. Norman, Arthur R. Powell and James L. Quinn to general partnership, and Hugh D. Auchincloss, Jr. to limited partnership.

Rotan, Mosle to Admit A. Baker Duncan

HOUSTON, Tex.—On March 1st A. Baker Duncan will be admitted to partnership in Rotan, Mosle & Co., Bank of the Southwest Building, members of the New York Stock Exchange. Mr. Duncan has been with the firm for some time in the Municipal department.

America Cannot Afford to Gamble With Recession or Depression

By ELLIOTT V. BELL*

Editor and Publisher, "Business Week"

Positively bolder Federal action instead of "paralytic rubbish about healthy readjustments and letting 'nature take its course'" is advocated by publisher-editor Bell who refers approvingly to the more forceful mood of 1953 as compared to the timidity of 1957. Mr. Bell contends we cannot afford downward deflationary spiral and suggests: (1) preparatory planning for reduced taxes and increased spending; (2) again, a National Economic Council responsible for unified overall economic direction; and (3) putting current recession into use by constructing fall-out shelters as suggested by Gaither committee, and other public projects.

In the past 100 years there have been 24 business slumps—this is the twenty-fifth. Of these previous 24 recessions and depressions only four lasted more than two years: only one of these four—the 45-month Great Depression from June 1929 to March 1933—came after the year 1885. Since that year four out of five business contractions have been completed in 18 months or less, half of them being over in a year or less.

Elliott V. Bell

Based on the form of the business cycle for these past 100 years some of my colleagues on "Business Week" with a sporting turn of mind have calculated that the odds are five to one business will turn up again less than two years from when it first turned down. It's a seven to three bet the bottom will come within 18 months from the recent peak.

The rub here is: Just when did we reach the peak of the 1954-57 boom? One school of thought says the peak was reached in December, 1956. That's when the Federal Reserve Board index of industrial production hit its high of 147. (It was down to 136 by December, 1957.)

However, the National Bureau of Economic Research, which is the outstanding authority for dating the turning point in business cycles, has calculated that the recent boom really ended last July.

If that's so, the recession is only six months old. So the odds would be even money for an upturn by August, two to one the turn will come before the end of '58, and five to one we'll be on our way by August, 1959.

So much for the length of the slump. But even a short recession can be a deep one.

The answer to now deep a recession we have depends, I believe, almost entirely upon what sort of policies we pursue in the coming months.

In the Great Depression of the 1930's we did almost everything wrong—with the best of intentions and on the advice of some of the very best people. We finally wound up with the country prostrate, all the banks closed and a political philosophy called the New Deal firmly in the saddle.

Praises 1953-54 Policies

On the other hand, in 1953 a Republican Administration, newly returned to office after 20 years in the wilderness, met the recession of that year with bold and effective policies. It cut taxes, flooded the banks with credit, shocked some of its more timid supporters, but stopped the recession in good order.

I hope and believe we will again follow a bold and effective course but this cannot be taken entirely for granted. In the intervening four years something has happened to inhibit government policy. This was the development, reaching a climax last year, of an almost hysterical alarm over inflation.

Following the rather brilliant performance of 1953 and 1954 we reverted last year, it seems to me, to a less reassuring course. Distinguished speakers warned us that inflation was our greatest enemy—more deadly than Communism. We were told we should invite recession and unemployment as a "solution" to our problems. In government there were doubts whether we could afford an adequate national defense program for fear of a hair-curling depression.

The Federal Reserve System continued to wage an all-out war against the boom some time after recession had set in. As late as August, eight months after its own index had turned down, the Fed increased its discount rate for the seventh time in succession. Even when it did turn about by cutting the bank rate in November, the action was almost wholly a public relations affair. No effective measures were taken—either by open market operation or changes in reserve requirements really to relax credit.

On this record we do not look very smart.

Now it may be that Providence will take care of us. Perhaps for reasons now imperceptible the current, strong downtrend will suddenly reverse itself, but the Lord helps those who help themselves, and so I think it is important that we deal with the present deflationary trend of the economy more effectively than we dealt with the recent boom. For a number of reasons we cannot afford to take this recession lightly.

To begin with, there has never been a major war that was not followed by a major depression. Accordingly, unless you believe we are in a new era, economically speaking, we are past due for a more severe downtrend than either of the two previous post-war recessions. Here are some of the warning signs.

Depression Warning Signs

For the first time since the war, all major sectors of the economy seem to have run out of steam at the same time. The capital goods boom has turned down; business inventories are being reduced; government spending, especially in the crucial defense hardware area, has been curtailed and the projected increased defense spending has not yet been felt; the great American consumer appears finally to have caught up with all his war-deferred demand for gadgets and is sitting on his pocketbook. Moreover, the latest survey of consumer intentions by The University of Michigan Survey Research Center indicates that his present plan is to continue sitting on his pocketbook. His reaction to those glittering creations offered by the automobile industry is said to be not merely ungrateful but positively rude.

In the two mild recessions since World War II—the readjustments of 1949 and 1953-54 — we were fortunate that Western Europe had experienced a downturn and was already recovering when we started down. That is not the case this time. Economic conditions among our allies are also worsening, parallel to our economy. Unemployment is rising and there is the threat of renewed financial crisis. Meanwhile there has emerged here in the U. S. a new surge of protectionism. The immediate response to our own downturn has been demands to raise tariffs, abandon the reciprocal trade program and cut back on foreign aid. All these could lead to another European set-back with devastating repercussions on our own affairs.

We have at present all the symptoms of a classical business downtrend. There have been no surprises. Everything is according to pattern. Nothing is missing.

Must Take Action

Now I have been sketching in some of the darker potentialities of our position, because I want to persuade you that this thing is too serious to be dealt with by saying let's not talk about it, and because I believe it is perfectly possible to do something about it.

The important thing, of course, is not to permit the contraction to gather force and cumulate. Once a spiral of deflation gets momentum it is well-nigh impossible to halt, even with measures far more extreme than anyone is presently contemplating. It would be better in my judgment to run the risk of doing more than is needed than to take the chance of being too little and too late.

This is the time, it seems to me, to push forward on some of those

Continued on page 26

*An address by Mr. Bell before the Economic Club of Detroit, Feb. 3, 1958.

The Welfare of Our Country Is Tied to Electric Industry

By ROBERT E. GINNA*

Chairman of the Board, Rochester Gas and Electric Corp.
Rochester, New York

Rochester utility head traces phenomenal growth of electric power, explains its importance to economic development and how eight out of ten people have a real financial interest in the industry, and decries increasing governmental power encroachment despite private industry's willingness to supply nation's requirements at no cost to taxpayers. Mr. Ginna projects rise from present 120 million kilowatt capacity to at least 410 million by 1978, with coal still the primary fuel. Sees oil, and hydro-power decreasing in proportion while nuclear energy becomes increasingly important.

The stake of America in the investor-owned electric utility industry is tremendous. Approximately 3.8 million stockholders own the business outright. Another 106 million life insurance policyholders and 21.5 million depositors in mutual savings banks, as well as shareholders in various educational charitable and religious organizations, have indirect ownership through their investments. In other words, practically eight out of every ten people in the United States have a very real financial interest in the electric utility industry; and, of course, 100% of the people are directly affected by its service.

Robert E. Ginna

The electric industry reached its 75th year in 1957, continuing its great record of remarkable growth. During the past seven years, investments increased nearly $19 billion to a total of $36.5 billion; and construction is currently going on at a rate approaching $4 billion per year. Our tax bill alone for 1957 will be $1.8 billion — 22.7 cents out of every gross revenue dollar taken in.

Importance of Electricity

I quote these figures, not for the sake of figures alone, but to impress upon you the importance of the electric utility industry in the general economy of our country and its defense. In this challenging and almost frightening world of international disorder, atomic energy weapons race between nations, man's desire to travel in space and a host of threatened Sputniks and satellites, the human thirst for mechanical power and energy seems boundless. The energy situation recalls to my mind something prophetic that Nathaniel Hawthorne once wrote, and I quote:

"Is it a fact, or have I dreamt it, that by means of electricity the world of matter has become a great nerve, vibrating thousands of miles in a breathless point of time?"

Thus Hawthorne, in his abstract way, unknowingly foretold what Einstein and others would later prove—that energy and mass or substance were interrelated and that modern civilization would become completely dependent upon energy. Without it, the entire industrial machine of the world would come to a standstill.

Our American economy is perhaps the most vivid proof of this statement. It is hardly necessary to tell you of the amazing material achievements that have resulted in America from the constructive use of energy. We have more and better homes, more and better food; and drudgery has largely been eliminated from industry and the home. Conveniences unheard of in the past are commonplace in America today.

An industrial system such as we enjoy in this country is nothing more than an energy system. A hundred years ago, 65% of the work done in the United States was accomplished through muscle power of men and animals. Wind and water power accounted for 22% of the work, and only 13% of the work was accomplished through the burning of various fuels such as wood, coal, and the limited amount of oil and gas then available. Today less than 1% of the work being done in the United States is accomplished through muscle power, only 7% by wind and water, and the remaining 92% is accomplished through the use of fuel energy — that is, energy derived from the burning of fossil fuels such as coal, oil, and gas.

The importance of this transition from muscle power to other sources of energy is of tremendous importance when you stop to consider that the muscle power of a strong man is about equivalent to the energy required to operate a 40-watt electric light bulb. The cost of electricity to operate that same 40-watt light eight hours a day for a whole year would be approximately $2. In other words, from a productivity standpoint, a strong man's muscles are worth only a fraction of 1 cent a day. But today the American worker has an average of 8,000 to 10,000 watts of electric energy available, which multiplies his productivity over 200 times.

Since an industrial system is nothing more than an energy system, the amount of energy consumed in a country can be looked upon as a bench mark of its productivity. United States energy consumption from all sources has doubled in the 35-year period from 1920 to 1955. Between 1955 and 1975, a 20-year period, it is anticipated that our energy consumption will increase another 80%.

As interesting as the increase in amount of energy consumption is the change in the sources of energy. In 1920 the major source of energy was coal, which supplied over 75% of the total energy requirements of the United States. Today coal supplies less than 28% of these requirements. During this same period, oil and natural gas have increased their share of the total energy supply from 22% in 1920 to over 68% of the total energy consumed in the United States today. Water power has remained a rather consistent but small supplier of energy during this 30-year period, in spite of the large hydroelectric projects that have been installed in our country during the last 20 years. By the early 60's, electric power from nuclear energy will appear on the horizon in appreciable quantities; and by 1975, it is anticipated that nuclear energy will equal the total usable water energy of our country.

Putting the United States energy consumption on a per capita basis illustrates the dynamic increase in energy requirements due to our industrial advances and our increased living standards. From the early 1900's to the late 1920's, the energy consumption per capita in the United States doubled. Then came the great depression with the accompanying industrial slump, which resulted in a major drop in our energy requirements. From the early 1930's to 1955, our energy consumption per capita again doubled; and by 1975, it is anticipated that our requirements will be almost triple that which they were in the 1930's.

Since approximately 44% of the total energy consumed in the United States is converted into electric energy, the United States power generation per capita is another important measure of our industrialization as well as our standard of living. The United States power geenration per capita present an impressive picture. Back in 1920, the total annual kilowatt-hours generated per person in the United States was a lowly 500 kilowatt-hours. By the end of 1956, this had grown to approximately 4,200 kilowatt-hours per year—a growth of over 700%. In spite of recessions and major depressions, this growth has been constant, with only minor changes in the trend line to indicate periods of economic instability.

World Comparison

Now, how do we stand in the United States compared with the rest of the world in the per capita use of electric energy. As of today, only Norway and Canada exceed the United States in per capita use of electricity. Bear in mind that both Norway and Canada have tremendous but limited hydroelectric sites availeble to them. Because of this availability, large quantities of electricity are used for electrochemical processes so that with relatively small populations the total average use is materially inflated.

In 1955 the electric consumption per capita in the United States was over four times that of Soviet Russia. What will the consumption be in the United States in 1975? We anticipate that per capita use of electric energy will be at least 9,000 kilowatt-hours in 1975. With the limited hydro generating resources in Canada and Norway and their high cost of fossil fuels, I have every confidence that by that time we in the United States will be well ahead of all nations in the per capita consumption of electricity.

To meet this tremendous increased demand for electricity in our country, the utility industry has increased generating capacity over 900% since 1920. Today we have an excess of 120 million kilowatts of electric generating capacity supplying the needs of our country. Authorities in the electric field, when asked to predict the electric generating capacity required to meet the industry's load during the next 20 years, have come up with various figures. But, regardless of which crystal ball you gaze in, it is anticipated that in the next 20 years there will be a minimum increase of almost 300% in generating capacity to meet our nation's needs.

Regional Analysis

Where will this tremendous growth in generating capacity be absorbed? Today the greatest consumption of electricity in our country is in the East-North-Central and East-South-Central states, with the Middle Atlantic states in second place and the Pacific Coast in third place. By 1975 we expect a 238% increase in the amount of electricity generated in the East-North-Central and East-South-Central states, a 286% increase in the South Atlantic states, a 216% increase in the Pacific States, and a whopping 439% increase in the West-South-Central states.

To supply these enormous quantities of electric energy requires equally enormous quantities of fuels. In 1955, coal was the chief electric utility power source. In that year, over 300 billion kilowatt-hours were generated through the use of coal. In 1975, it is anticipated that coal will provide over a trillion kilowatt-hours of electric energy. In 1955, gas and oil provided an additional 130 billion of kilowatt-hours; and by 1975, we anticipate that this source of energy will provide some 270 billion of kilowatt-hours. Hydro power in 1955 produced 113 billion of kilowatt-hours, and by 1975 we expect to produce approximately 280 billion of kilowatt-hours with water power. We will still need 242 billion of kilowatt-hours to meet our anticipated requirements of 1 trillion 850 billion of kilowatt-hours in 1975, and we have every reason to believe that this power will be generated by nuclear energy. Thus, we anticipate that coal will maintain its position in the next 20 years, generating approximately 55% of our total electric requirements. The percentage of electricity generated by oil and gas will shrink from approximately 25% of today's total to just a little over 14% in 1975, hydro production will drop from 21% to 15%, and nuclear energy will increase from 0% in 1955 to a little over 13% of the total in 1975.

Since electricity is one of the chief forms of energy in the United States, fuels used to produce electricity have an important economic impact on the areas where the power is generated. As an example, while coal has little effect on the Pacific Coast, the impact of coal for the generation of electricity in the East-North-Central and East-South-Central states of our country is very pronounced. Seventy-eight million tons of coal are used there today in the generation of electricity, and in 1975 it is anticipated that 200 million tons of coal will be required, an increase of almost 300%. While the South Atlantic, Middle Atlantic, and West-South Central states are expected to increase their coal requirements materially by 1975, the East-North-Central and East-South-Central states will still consume about half of the total coal required for the generation of electricity in the United States.

As would be anticipated, the regional impact of gas for generation of electricity is most pronounced in the West-South-Central states where natural gas is found in abundance. It is anticipated that in the next 20 years natural gas requirements for the generation of electricity will almost double in the West-South-Central states, while the gas requirements in the remaining areas of our country will remain relatively static. Regulatory problems may encourage the natural gas producing states to utilize their home products as extensively as possible within their own borders.

In contrast with gas, the regional impact of oil required for generation of electricity is more widespread. The Pacific Coast states lead in the use of oil for generation of electricity. It is anticipated that between 1955 and 1975 the quirement for oil will more than triple in this area. The South Atlantic, New England, and Middle Atlantic states are expected to increase materially their requirements for oil during this same period.

Fuel Costs

In the operation of the normal conventional fuel-fired generating system, utility fuel costs are the third largest item of expense and are exceeded only by taxes and payroll. Fuel costs are extremely important in our business, and they vary materially throughout the country. As an example, fuel costs in the West-South-Central and East-South-Central sections of our country are extremely low, averaging in the neighborhood of 15c per million Btu. As we get farther away from the natural gas and oil fields and the bituminous coal areas, fuel costs tend to increase rapidly. In the New York area, the price of fuel for power generation runs in the neighborhood of 34c per million Btu. and ranges as high as 43c per million in some of the New England states.

Because of the importance of fuel costs, the industry has made a concerted effort to improve the efficiency of utility generating stations. Our efforts have produced tangible results, and in 30 years the fuel rate of electric generating plants has been reduced from 25,000 Btu. per kilowatt-hour to less than half that amount. Ultramodern generating stations of today, utilizing extreme high pressures and temperatures, are expected to produce heat rates of less than 9,500 Btu. per kilowatt-hour, or roughly 7/10 of a pound of coal per kilowatt-hour—a far cry from the eight pounds of coal per kilowatt-hour in the early days of the industry.

Curb Federal Spending

Now we come to a phase of the electric utility operation that is of great concern to me, and I am sure it is to you also. As bankers and businessmen, you, above all others, would be acutely aware of the tremendous increase in government peacetime spending that has taken place in our country. In 1927 the Federal budget was a lowly $2.8 billion. By 1947 it had increased to $39 billion, and in 1957 the estimated budget was $66 billion although the final budget was $72 billion. Next year the figure will be some $74 billion. We all realize that 70% of this budget is devoted to our national security program, including veteran services and benefits. That leaves 30%, or almost $21 billion, that is being spent on activities other than those directly connected with our national security. If we are to balance our budget and stabilize our economy, if we are to stop the ever expanding power of a paternalistic Federal Government, it is on this 30% that we must concentrate our efforts in order to curb Federal spending.

I want to give you two examples of Federal spending in this area that, in my opinion, offer a very real opportunity for making material reductions in Federal expenditures.

Previously I pointed out that the generating capacity in the United States amounted to some 122 million kilowatts, and that in 1975 this would amount to 410 million kilowatts.

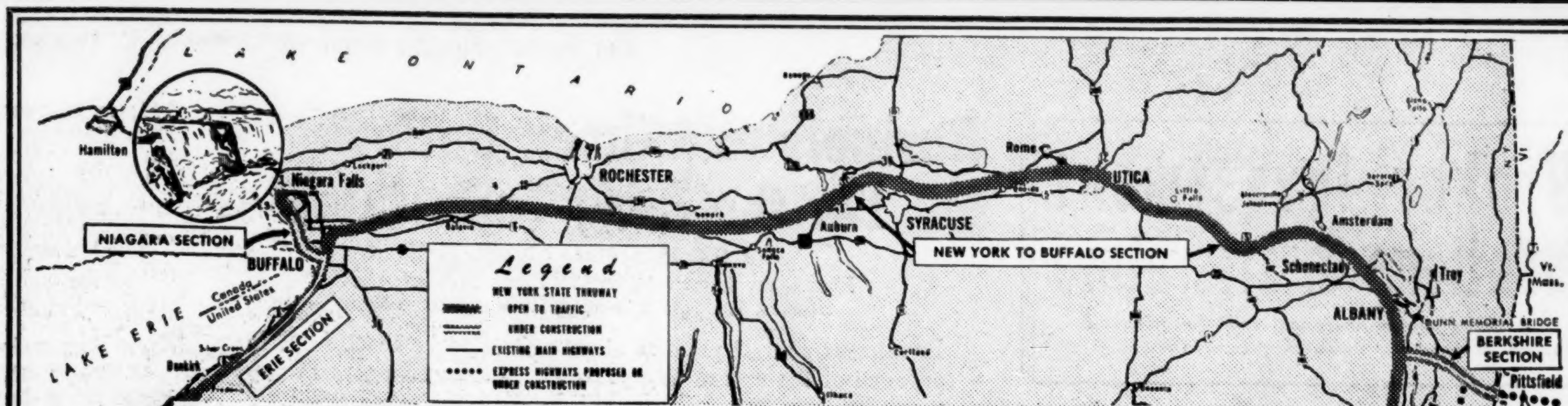
In 1956, approximately 76% of the generating capacity in our country was owned by investor-owned electric companies, while 24% was owned by government in one form or another. May I point out that this penetration of the government into the power business has all come about in the past 25 years. In 1975, I believe that investor-owned electric utility companies will have increased their ownership to approximately 80% of the total generating acapacity and that government ownership will have dropped to approximately 20%. In other words, I believe that a large part of the 288 million kilowatt increases in generating capacity required by our country in the next 20 years must and will be supplied by investor-owned companies operating under the free enterprise system.

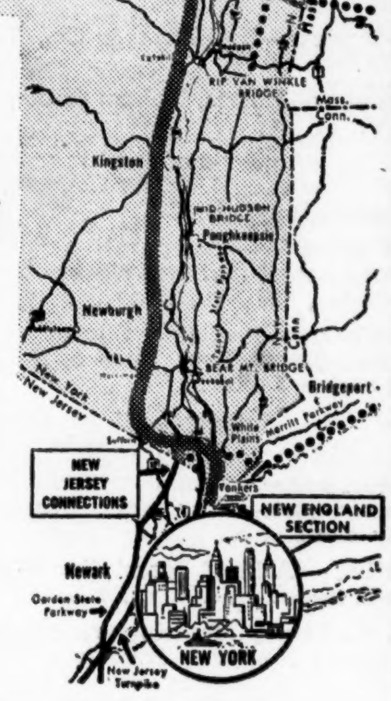
Federal Power

Today the largest electric utility company in the country is the United States Government. Federal electric power projects are located in all sections of our coun-

Continued on page 23

*An address by Mr. Ginna before the 10th National Credit Conference sponsored by Credit Policy Commission of American Bankers Association, Chicago, Ill., Jan. 17, 1958.





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Acceptable to the State of New York as security for State deposits, to the Superintendent of Insurance to secure policyholders, and to the Superintendent of Banks in trust for Banks and Trust Companies

Principal and semi-annual interest (July 1 and January 1) payable at the principal office of The Chase Manhattan Bank in New York City. Coupon bonds in denomination of $1,000, registerable as to principal only and exchangeable for bonds registered as to both principal and interest in denominations of $1,000, $5,000, $10,000, $50,000 and any integral multiples of $50,000. Fully registered bonds may be exchanged for coupon bonds at the expense of the holder.

These Bonds, in the opinion of the Attorney General of the State of New York, will constitute direct and general obligations of the New York State Thruway Authority, ***unconditionally guaranteed by the State of New York as to the payment of both principal and interest.*** Such guaranty by the State, in the opinion of the Attorney General, will pledge the full faith and credit of the State of New York to the payment of the principal of and interest on such Bonds as they become due. This is the sixth issue under the authorization of $500,000,000 principal amount of Bonds which may be guaranteed by the State of New York in accordance with the provisions of Section 6 of Article X of the State Constitution. Upon completion of this financing there will be outstanding bonds aggregating $450,000,000 which are so guaranteed by the State of New York.

In the Bond Resolution, the Authority covenants that it will at all times establish, levy, maintain and collect such fees, rentals and charges (including tolls) for the use of the Thruway Project necessary or convenient, with an adequate margin of safety, to produce sufficient revenue to meet the expenses of maintenance and operation of the Thruway Project, to fulfill the terms of the covenants contained in the Resolution and to pay, when due and payable, the Bonds and any indebtedness to the State and any other indebtedness secured or unsecured of the Authority not otherwise provided for.

AMOUNTS, COUPON RATES, MATURITIES AND YIELDS OR PRICES

Dated January 1, 1958 — **Due as below**

Amount	Coupon Rate	Due	Yield	Amount	Coupon Rate	Due	Yield or Price
$1,950,000	3 %	Jan. 1, 1985	2.85%	$4,600,000	3.15%	Jan. 1, 1991	3.05%
4,000,000	3.05	Jan. 1, 1986	2.90	4,700,000	3.10	Jan. 1, 1992	3.05
4,100,000	3.15	Jan. 1, 1987	2.95	4,850,000	3.10	Jan. 1, 1993	@ 100
4,200,000	3.20	Jan. 1, 1988	3.00	4,950,000	3.10	Jan. 1, 1994	@ 100
4,350,000	3.20	Jan. 1, 1989	3.00	5,100,000	3.10	Jan. 1, 1995	@ 100
4,450,000	3.20	Jan. 1, 1990	3.00	2,750,000	3.10	July 1, 1995	@ 100

(Accrued interest to be added)

These Bonds are subject to redemption prior to their respective maturities, at the election of the Authority, at any time on and after July 1, 1965. Redemption prices start at 105% and decline in successive five-year periods thereafter to a minimum premium of 100½% applying from July 1, 1990 to final maturity. Full details with respect to redemption terms appear in the offering prospectus.

The above Bonds are offered, subject to prior sale, for delivery when, as and if issued and received by us, and subject to the approval of legality by the Attorney General of the State of New York.

The Chase Manhattan Bank

Kuhn, Loeb & Co. — **Chemical Corn Exchange Bank** — **Blyth & Co., Inc.** — **C. J. Devine & Co.** — **Manufacturers Trust Company**

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Green, Ellis & Anderson — **Swiss American Corporation** — **William Blair & Company** — **Hannahs, Ballin & Lee** — **Schwabacher & Co.**

Anderson & Strudwick — **Julien Collins & Company** — **Rauscher, Pierce & Co., Inc.** — **Sterling National Bank & Trust Company** of New York

Malon S. Andrus, Inc. — **Goodbody & Co.** — **Hayden, Miller & Co.**

New York, February 7, 1958.

Dealer-Broker Investment Recommendations & Literature

It is understood that the firms mentioned will be pleased to send interested parties the following literature:

Airline Industry—Review—H. Hentz & Co., 72 Wall Street, New York 5, N. Y.

Atomic Energy—Review—Harris, Upham & Co., 120 Broadway, New York 5, N. Y.

Atomic Letter (No. 35)—Analysis of fund investment in missile field—Atomic Development Securities Co., Inc., 1033 Thirtieth Street, N. W., Washington 7, D. C.

Banks and Trust Companies—Comparative figures as of Dec. 31, 1957 of leading banks and trust companies—New York Hanseatic Corporation, 120 Broadway, New York 5, N. Y.

Burnham View — Monthly investment letter — Burnham and Company, 15 Broad Street, New York 5, N. Y. Also available is current Foreign Letter.

Canadian Bond Market — Review — E. M. Saunders Limited, Victory Building, Toronto 1, Ont., Canada.

Fifty Favorites—Stocks most popular with investors using the monthly investment plan—New York Stock Exchange, 11 Wall Street, New York 5, N. Y.

Investment Counseling — A brief description — Counselors Research Corp., Ambassador Building, St. Louis 1, Mo.

Japanese Electrical Machinery Manufacturing Industry—Analysis in current issue of Nomura's Investors Beacon—Nomura Securities Co., Ltd., 61 Broadway, New York 6, N. Y. Also in the same issue are discussions of Japanese Shipping trade, and of the new five-year economic program.

Japanese Stocks — Current information — Yamaichi Securities Company of New York, Inc., 111 Broadway, New York 7, New York.

New York City Banks—Breakdowns—government bond portfolios and sources of income—for 13 New York City Bank Stocks—Laird Bissell & Meeds, 120 Broadway, New York 5, N. Y.

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Business and Stock Outlook For the Long-Term Investor

By STEPHEN M. JAQUITH*

Manager, Investment Advisory Department
Model, Roland & Stone, New York City

Investment analyst predicts stock price rise in 1958 "well in advance of the upturn in business"; advises investors to buy now when business is bad; and believes securities will offer higher yields and greater capital gains potential than in past two years. Mr. Jaquith foresees recession's end by mid-year, and concludes the market has no speculative boom to liquidate and, at the most, will not be forced much lower than last October lows. Finds price-earnings ratios and stock yields "at more attractive levels" than any time in past several years and believes it is a mistake to think of stock price changes only in terms of market averages.

The year 1957 was the most prosperous in the nation's history. Most economic indicators set new records for the year as a whole. Gross National Product, which is the aggregate value of goods and services produced, reached a new high annual rate of $439 billion in the third quarter. This represents an increase of 6% over the 1956 total of $414.7 billion. Employment set a new high of 67.2 million in July, and personal income was at a record annual rate of $346.8 bililon in August. Sustained consumer purchasing pushed retail sales to a record level of approximately $200 billion, a 5% rise over the preceding year. Expenditures for new plant and equipment expanded to the annual rate of $37.8 billion in the third quarter in contrast to a total of $35.1 billion in 1956. New construction reached a record level for the eleventh consecutive year.

Stephen M. Jaquith

Although 1957 was our most prosperous year to date, it ended worse than it began. The seasonal pick-up in business which usually occurs in the Fall did not materialize. Instead, most economic indicators sagged throughout the fourth quarter.

For example, steel production declined to an operating rate of about 65% of capacity in December, in contrast with a rate of 98% in January. Freight car-loadings declined by about 16% from December of the previous year. Automobile production in December, 1957, totaled 146,500 units, compared with 166,000 in December, 1956.

The Federal Reserve Board Index of production made a high of 147 in December, 1956. In September, 1957, it was still at 144. In October, however, it slipped to 141; in November to 139, and in December to 136. For all of 1957, the index was 143, the same as in 1956. Reflecting mainly the decline in factory production, total unemployment increased to 3,374,000 in December, a seasonally adjusted rate of 5.2% of the labor force compared with 4.3% in September.

*An address by Mr. Jaquith at the semi-annual Sales Conference of Slayton & Co., Inc., St. Louis, Mo., Jan. 31, 1958.

Accounts for Recession

Why did this recession occur? Why did it happen at the time it did? We are still too close to it to answer these questions with certainty, but we can form tentative opinions at this time.

The economy was rolling along at a high level of activity, with strong segments offsetting the weak ones. It was more vulnerable to contraction than expansion, however. The postwar backlog of deferred demand had been pretty well satisfied, and there were, for the first time, adequate ample supplies of goods and productive capacity in almost all lines. Business had been good for several years, so there was more risk of a correction. Finally, the Federal Reserve Board had been pursuing a policy of restricting credit and setting the stage for a contraction.

At this point the combined impact of several adverse factors was enough to precipitate a slide. These unfavorable factors were:

(1) A sharp drop in July in the excess of exports over imports.

(2) A sharp drop in military orders in the July quarter.

(3) A downtrend in new orders for caiptal goods reflecting expanding capacity and rising cost of money.

(4) The boost of ½% in the rediscount rate in August — the seventh and largest rise since early 1955 in the Reserve's tight money policy.

(5) Once the recession started, inventory liquidation became a contributory cause.

(6) Business and investment sentiment deteriorated rapidly reflecting the stock market decline and the launching of Sputnik in the face of our military cut-back.

1958 Outlook

Now, **what is the business outlook for 1958?** The first question which comes to mind is: Are we heading into a major depression? This possibility haunts some who have always lived in fear of another 1929-32. It also haunts some who have been looking for a major postwar depression ever since 1945. Although mild recessions are inevitable, another severe depression like 1929-1932 is highly improbable. Those looking for a major postwar depression to occur in the next few years will have to keep on looking.

The reason why we **need fear no major depression** in 1958 and in the foreseeable future is that there have been many structural changes in our economy since 30 years ago which increase its stability:

(1) Our present economy now has many **built-in stabilizers** which tend to cushion consumer spending:

(a) Unemployment insurance. This now covers 43,000,000 workers out of about 65,000,000.

(b) Federal Social Security and disability payments.

(c) Private employee pensions.

(d) Farm price supports.

(e) Flexible income taxes which decrease automatically when incomes decline. For individuals subject to progressive rates from 20% to 91%, this reduces the percentage of income which is taken by taxes and increases the percentage available for consumer spending. For corporations, with a flat 52% rate on all income over $25,000, the decline in net income is cush-

Continued on page 42

Dyer Re-Elected Chmn. Of American S. E.

James R. Dyer, an American Stock Exchange member for twenty-nine years, and a stock specialist on the market's trading floor,


James R. Dyer


Louis J. Puglies


V. Adrian[illegible]


James A. Herman


Edwin P. Wheeler


D. Van Alstyne, Jr.

was reelected to his third consecutive term as chairman of the exchange board of governors at the members' annual elections Feb. 10, 1958, according to an announcement by Edward T. McCormick, President.

First elected to the governing board in 1946, Dyer served a one year term as Vice-Chairman in 1952. He has served on all of the market's committees.

Elected to three-year board posts for the first time were Vanderpoel Adriance, Jr., Adriance & Finn, James A. Herman and Edwin P. Wheeler, as regular-member governors and David Van Alstyne, Jr., Van Alstyne, Noel & Co., and Louis J. Puglies, Filor, Bullard & Smyth; as non-regular member governors.

Also elected to three-year terms as regular-member governors were Harry P. Henriques, Jr., Walston & Co.; and Joseph F. Reilly; both of whom have served in the past. Again elected to three-year terms as non-regular member governors were John Brick, Paine, Webber, Jackson & Curtis; and Albert deJong, Hirsch & Co.

Henry Parrish, II, Carl M. Loeb, Rhoades & Co.; and Adolph Woolner, Bache & Co.; both of whom have served in the past, were elected to two and one year terms respectively as non-regular member governors.

Charles M. Finn, Adriance & Finn; and E. E. Spencer were elected to three-year terms as trustees of the gratuity fund.

Joins Hincks Bros.

(Special to The Financial Chronicle)

BRIDGEPORT, Conn. — Arthur F. Carver has become connected with Hincks Bros. & Co., Inc., 872 Main Street, members of the Midwest Stock Exchange. He was formerly with G. H. Walker & Co.

Railroad Securities

GREAT NORTHERN RAILWAY

Great Northern Railway was one of the few of the nation's carriers to have well maintained earnings in 1957. Despite the drop in general business activity throughout the country, its carloadings were not too adversely affected largely as a consequence of the heavy movement of iron ore during most of the year.

For the full year 1957, Great Northern reported net income equal to $4.38 a share as compared with $5.32 a share in 1956 and $5.27 a share in 1955. Currently, the road is on a 75 cents quarterly basis, and with the stock selling at the lowest price since mid-1933, the yield is around 8.4%. Carloadings in the first few months of this year likely will be under those of a year ago, with a probable decline in net income. The lower earnings are anticipated because this is the seasonal low period of movement of iron ore because of the closing of the Great Lakes to navigation, and also due to the large stocks of ore at steel plants. If the steel industry should pick up in coming months, then it is believed loadings and earnings also would expand.

The sharp fall in earnings in the final months of last year was brought about by a sharp decline in the road's principal traffic items of wheat, lumber and iron ore. Wheat declined principally because of the large part of the crop which was placed in storage under loan. Lumber continued the downtrend which had been evident during most of the year, mainly as a result of a decline in residential building activity. Of course, the drop in iron ore shipments reflected the sharp reduction in steel operations late in 1957. In addition, a substantial tonnage of ore was moved in 1956 after the steel strike and this tonnage was further augmented by heavy all-rail shipments during the tieup of the Great Lakes.

It is believed that the carrier now has expenses under better control and, despite lower freight traffic in its major items, that earnings will not be as greatly depressed as in the final months of last year. Maintenance expenses which were running well ahead of previous years also should be down substantially. The company already has announced it is reducing its car rebuilding program and cutting down on the number of personnel in this department. The repair program will be stretched out over a longer period.

In all probability lumber traffic will show improvement due to a spur of residential building activity because of lower interest rates. Grain revenues could recover either as a result of the movement of the new crop to market or the displacement of grain now in storage. Higher freight rates also could be an important factor, particularly if higher rates are allowed on iron ore.

The company has adequate cash resources. Working capital is placed at around $60 million with cash items of close to $64 million. Depreciation is some $6 million more than equipment maturities and this also will tend to build up cash in coming months.

Joins Bache Staff

(Special to The Financial Chronicle)

KANSAS CITY, Mo.—George B. Longan III is now with Bache & Co., 1000 Baltimore Avenue.

Electronics as an Industry And an Escort Into a New Age

By PAUL A. JUST*

Executive Vice-President and Director
Television Shares Management Corporation

Electronic industry's accelerated rise—achieving largest growth of any industry in U. S. history and becoming the fifth largest industrial segment of our economy—and predictions that output measured at factory level will double from present $7 billion to $14 billion in seven years are pointed out by Mr. Just to indicate remaining room for expansion still in store for this post-radio industry. The importance of industrial electronics is singled out by the writer, in comparing it to home entertainment and defense uses for this innovation, as well as the expectation that the industrial application of electronics will run counter to decline foreseen for other capital expenditures in next two years.

Nineteen hundred fifty-eight is more than one year. It is, in fact, a set of years, historically stemming from three very significant events within the lifetime of most of us here, and each of them marking an important milestone in man's scientific progress.

Paul A. Just

Yes, it is 1958 A.D. But it is also: Electronic Year 51; Atomic Year 16; and Space Year 1.

In calendar year 1907, 51 years ago, DeForest brought out the triode, an electronic tube which was able for the first time to control the flow of electrons and thereby permit a variety of functions which the previous tubes could not perform. This invention of Mr. DeForest's gave us radio, as we know it today, and formed the basis of much of the electronic development which followed.

In calendar year 1942, 16 years ago, Enrico Fermi, Arthur Compton and other physicists and scientist, working under the football stands at Stagg Field in Chicago, achieved the first nuclear reaction. This made the first atomic bomb possible and started a chain of scientific events which only recently brought us the first commercial application of useful atomic power at Shippingport, Pa.

In calendar year 1957—and I am sure that all of us remember October 4 — Russia launched man's first space satellite and thereby ushered in the Space Age.

These are the three significant events, which give 1958—and the years to come, as well—a historical numerology all their own, for these three events telescoped three new ages of man into one brief period of time.

It is about these three new ages of man that I wish to discuss. But I shall condense them even further, since there is a common denominator by which all three may be divided.

That common denominator is **Electronics**, for it came first in this sequence of years and, without it, the other two could not have emerged from the cocoon of pure theory.

Electronics As An Industry

In considering Electronics, we must look at it in two ways.

First, as a science, which is its broadest aspect.

And, second, as an industry, from which we can measure and perhaps predict its broad, ultimate usefulness to mankind.

Much as I would like to delve into its mysteries and miraculous powers as a science, I am frank to admit that I am not qualified to discuss Electronics in this fashion. I am an investment man, not a scientist. However, I think I can analyze, with an assurance of competence, Electronics as an industry. From observation and investigation over a period of years, I have come to know and understand it, and frankly marvel at what has happened in this industry over the past, let us say, 10 years.

At the same time, I'd like to point out to you that, in discussing Electronics as an industry, it is almost impossible to separate its great functions of utility from its more scientific and theoretical aspects. The two are naturally interrelated and now and then I may seem to step out of character to speak of the science in discussing its industrial and commercial applications.

What we know today as the Electronics industry entered upon its period of greatest growth at the end of World War II. Up to that time, when we spoke of Electronics — and it was not mentioned often—we thought almost instinctively of its only popular manifestation — radio. Actually, there was comparatively little else, although in the telephone field there had been considerable scientific progress in applying Electronics to this phase of communications.

Largest Growth Record

After a period of forced feeding during the war, the Electronics industry in 1947 contributed only a relatively small amount to the national economy. It employed comparatively few people, and the rather large number of radio manufacturers which had flourished in the late 20's and early 30's had dwindled considerably. Output of the entire industry was hardly more than $500 million, at the factory level.

Ten years later, in 1957, Electronics had assumed the position of the fifth largest industrial segment of the national economy, with annual dollar volume estimated at an amazing total of $7 **billion**, at the manufacturers' level. More than one million people were on the payroll and more than 2,500 firms, large and small, were involved in putting the science of Electronics to work in a tremendous variety of ways designed to benefit man and aid him in his industrial and commercial efforts.

Considering the brief period of time involved, this is the largest growth of any industry in U. S. history.

1965 Prediction

It is not hard, therefore, in the light of the immediate past, to wax enthusiasim about the future of Electronics. Those who are intimately involved in the industry confidently predict this already large volume of output will double in the next seven years, that is by 1965, to reach $14 billion at the factory level.

Put another way, if we add to today's and 1965's figures the value added to factory prices in the process of distribution to the consumer and revenues from service, maintenance and broadcasting, we come up with totals of $12 billion in 1957 and an astonishing total of $24 billion by 1965.

That is the immediate range of Electronics, in terms of dollars, in terms of the industry's contribution to the national economy. It is by no means, and I think you will agree, only a token contribution to the American standard of living.

The figures I have given certainly demonstrate that Electronics has gained quite a bit of stature in the past decade, but its growth has not been entirely upward. Electronics has another dimension—depth of application, well beyond the original concepts of its utility.

Forgive me if I pass on a few more statistics, but they indicate dramatically the broad base upon which the future of this dynamic industry rests.

Increased Industrial Sales

A recent study by "Electronics Magazine," a highly authoritative trade journal, put the total of planned capital expenditures — that is, estimated outlays for plant and equipment—by U. S. industry in 1957 at $32.6 billion. The magazine further estimated that the share represented by electronic equipment was 3.2% of this total, or slightly better than $1 billion. That means simply that U. S. industry is estimated to have spent last year that much money for electronic equipment of all sorts for use in its own operations. The figure **does not include** electronic equipment purchased for use in banks, insurance companies and commercial establishments, nor does it include the rental of electronic gear, such as computers, in which there is a large and growing market.

By 1960, the magazine said, while planned capital expenditures by U. S. industry are expected **to drop** to about $28.5 billion, the outlays for electronic equipment are expected **to rise**—to 5.2% of the total, or about $1.5 billion.

You might ask: why should the industrial applications of Electronics buck the declining trend in the next two years of overall capital expenditures by U. S. industry?

The magazine asked the same question of American industry and found this answer:

In recent years, most capital spending by industry has been to increase productive capacity. This kind of spending is temporarily on the wane. **Electronic equipment, on the other hand, helps industry get more out of existing productive capacity. And at lower cost.** That answer is a direct quote.

The magazine detailed the planned outlays of the major, and some minor, industries, but I will mention only a few. The biggest spender for industrial electronic equipment is the group comprising the transportation and communications enterprises,, such as air, truck and ship lines, telephone, telegraph and broadcasting companies. These put out $496 million for electronic gear in 1957 and are expected to increase this figure to $743 million in 1960. Next in line were the chemical companies, whose purchases of such equipment in 1957 totalled $114 million, a figure which should grow, according to the magazine's study, to $198 million two years hence. Other important buyers of industrial electronic gear included the petroleum companies and the railroads, with $62 million and $68 million, respectively in 1957, rising to $91 million and $70 million, respectively, in 1960.

This depth of application of Electronics, in the brief period of time which we are considering is very significant as it points in a direction which comparatively few people appear to have recognized. Generally, when they speak of Electronics they think immediately in terms only of defense and home entertainment.

Let me, then, put industrial electronics in proper perspective.

That figure of $1 billion spent by industry for electronic equipment in 1957 is 14% of the total dollar volume at the factory level of the entire industry in that year. It is, further, one quarter as much as the anticipated expenditures of $4 billion for military electronic equipment in the 1958-59 governmental fiscal year. It is almost equal to the estimated dollar volume for electronic equipment in the home entertainment field. And it is about one-half as much as the total revenues derived from radio and television advertising in 1957.

Industrial electronics, therefore, forms one rather solid pillar in a group forming the imposing economic structure of Electronics. The others are, of course, defense, home entertainment, and the applications in the other sciences, such as medicine, physics, chemistry, and nucleonics, or atomic energy.

These figures, I hope, will indicate the tremendous scope of Electronics — the very large and extremely flexible structure with which my investment firm concerns itself. But there is another way to bring out some of the things which are tucked away in the dim corners of this house of Electronics and which, for the most part, are known only to the scientists who occupy it.

At least, only the scientists have the nerve to talk about them, for some of the promised electronic miracles of the future are a bit hard to believe. As for me, I take the scientists' word for them.

Let's take some of these things out of their pigeonholes in this house of Electronics and examine them.

Assists Salesmen

I am, in part, a salesman, concerned with the distribution of certain securities throughout the United States and some areas of Western Europe. Under my supervision are other salesmen involved directly in this process and several thousand securities dealers who make direct contact with the investing public. All of us, together, spend a considerable amount of our time traveling thousands of miles each year **simply to talk to someone.**

Those who are salesmen know how much of your time is occupied in travel and how much less time is taken up in the more important task of talking to prospects. Obviously, if less time is spent to reach these prospects, they would have more time to be with them. Presumably, they could make more sales and more money for themselves and the firm employing them.

Can Electronics do anything about this situation?

It can, and, the scientists—**traditionally conservative people, I might point out**—promise, it will. One Bell Laboratories scientist put the answer this way, and I quote:

Picture Phone

"Instantaneous contact between individuals anywhere in the country, and perhaps in the world, at any time and in any place is a **definite** possibility." End of quote.

Weigh that brief statement carefully. Think what it would mean. And bear in mind that this "instantaneous contact" includes **both sight and sound.**

But let's go on with what Bell Laboratories scientists have to add to that statement:

"The Televisionfone (a telephone system that combines sight as well as sound) is at a stage where the plans and parts for such a device exist now. Bell Labs probably could put a single crude version of the device into service within weeks — if enough people were willing to pay toll charges."

Since that was written, a public test of the "Picture-Phone" has been made and Bell scientists have reported improvements in the original model. Further, just a few weeks ago, General Electric announced that a system for transmitting pictures over conventional telephone lines by slow-scan television had been successfully demonstrated to the military and that the first installation of this system for the military would be made early this year. Details of this system were not revealed for security reasons, but GE called it, and I quote, "the first practical step toward seeing the person you are phoning."

Bell researchers, we are told, figure that telephone users are going to get fed up with dialing one of these days. So they are reportedly working on several alternatives. One is a gadget named "Audrey" that some day may "dial" your number after you've spoken the figures into its electronic ear.

But Bell scientists go even further. They say that ultimately, **at the time of birth,** each individual will be assigned a telephone number which he or she will bear through life just like his or her name. The telephone, similar to a watch, will be attached to the wrist. The front part will be a transmitter-speaker, and the rear a three-dimensional picture of the individual to whom he or she will be talking.

At any time, when the person wishes to talk with anyone in the world, he will pull out the device and punch on the keys the number wanted. Then, turning the gadget over, he will hear the voice of the individual he is calling and see the face on the screen — **in color and in three dimensions.**

That's quite a promise isn't it but I'm only reporting what serious scientists have put down on paper and these people don't indulge in idle fancies.

As a matter of fact, a possible forerunner of such a telephone called the "Data-Vision," was installed by Bell in the Philadelphia National Bank to enable branch tellers to compare visually the signature on a check presented for payment, with the master signature file in the bank's main office more than a mile away.

Don't you think that the existence of such an instrument of communications, supplanting the existing telephone and other media, will completely change your way of life? Most certainly it will, both in business and in home life. And it will be only one part of a radically different arrangement of daily living, since there are other promises which electronic scientists have made that most surely will emerge to take their place in your life in the future.

Other Promises

I'll tick off some of them quickly: the noiseless, electronic refrigerator, with no moving parts; electronic air conditioning; and electronic tape recorder to bring your favorite television programs, in black and white or color, when you want them and as often as you want them; new, controlled light for your home or office, with the illumination coming from the walls and ceiling; a television set, hanging from the wall, and no thicker than a picture frame; and finally, cheap and abundant power taken from the sun to heat your home and run all its appliances, and also supply the electrical system of your automobile.

Beyond this, electronic scientists promise us that the home itself will be completely automated. In fact, they say that the home of the future will clearly have a communication center. This will involve a panel control board similar to those now used to regulate and operate the gigantic automation machines in auto and other factories. It has already been given a name—the Communicenter — and its techniques are now known.

Here is how the president of the American Institute of Electrical Engineers once described the function of the Communicenter:

"Imagine that tomorrow's plan

*An address by Mr. Just before the Kiwanis Club of Oklahoma City, Okla., Feb. 6, 1958.

for the day is about to be set up for the usual Adam and Eve team. Susie is to wake at 7 with sentimental chamber music. Junior must be blasted out with a stirring martial air. Aunt Maggie's window must be down at 4:15 a.m. and her coffee must approach boiling at exactly 6:45. At breakfast, Susie's facsimile news must be set for fashions, Junior's for the baseball scores, mother's for the social items. Mother's car must be warmed up at 9, the garage doors opened and the snow off the driveway. and so on—until Pop's electric blanket goes on at midnight, while the cat-ejector has just done its duty. That complete program will be put on a recording tape, buttons pushed, and the day's program is taken care of."

That may seem far-fetched but let me recall a notable television program which appeared on the CBS network on June 9 last year. It was the famous "See It Now," with Edward R. Murrow as host and narrator, and it covered the subject of automation.

Unfortunately I cannot show you the picture, but let me repeat one small portion of the dialogue and perhaps you may be able to visualize the scene.

"You are looking at General Electric's experimental XPC-1," said Mr. Murrow. "The elevator you are looking at is not carrying Jets up to the flight deck of the Forrestal, but shuttling candied yams from the freezing compartment to the oven of what General Electric hopes will be milady's 'programmed cooker' of the future. This is the prototype model, built at a cost of more than $150,000. It is both a freezer and a stove in which the housewife stores frozen components of the various foods she thinks her family might like to eat.

"Each day she punches up the evening meal on the scheduling panel. A half-hour before serving time the electronic timer takes over. At H-Hour minus 30 minutes the roast pork begins its automatic journey to the U. H. F. (that's ultra-high frequency) oven. A mechanical muscle peels back the aluminum foil. At H-Hour minus 15 minutes the yams are sent into action. At H-Hour minus five minutes the rolls move into position. When the feedback mechanism indicates that everything is ready, a chime signals the completion of the combined operation.

"For those who would compromise complete automation for gracious living, a push button stove is already on the market. Meat tenderness is computed by a feedback apparatus and when the roast signals that it is precisely succulent, the machine plays 'Tenderly'."

Of course, Mr. Murrow's words were accompanied and illuminated by action and we could watch the roast pork, the yams and rolls moving into their proper places and hear the chime that signaled the end of the operation. It was a very dramatic demonstration and it brought quite a reaction from my own wife—a reaction in which disbelief fought a losing battle with amazement.

In the home, the plant, the business office, the hospital, the laboratory and virtually everywhere that man exerts physical or mental effort, Electronics has already contributed a great deal, and will be increasingly a more important tool. Its ability to see deeper, measure faster, control more accurately and perform more efficiently than any other human or mechanical means has opened a vista of utility which no other science in all history has ever faced.

We are all concerned today with missiles, and satellites, and space stations. Our own defense program is being acutely attuned to the demands of the new age into which Soviet Russia has so rudely pushed us. Electronics is already playing a vital role in this new defense posture. It is estimated that about 40% of the programmed $3.3 billion to be spent by the government for missiles will go into electronic equipment. This means a military missile market of about $1.3 billion in the coming fiscal year for Electronics, to be shared by about 50 major companies and thousands of smaller firms acting as sub-contractors and parts suppliers.

The dawn of the missile era, therefore, adds another dimension to Electronics, one which would appear to have no limit short of the stars. Some day, when the dangers are past and the world is truly at peace, the warheads of the future's missiles and rockets will be replaced by observation lounges so that we will have an opportunity to watch a new world unfolding.

In this new world, the hand that will lead us to the distant stars, with speed and safety, in comfort and with ease, will inevitably be Electronics.

What's Happening in Labor?

By A. H. RASKIN*

National Labor Correspondent, New York "Times"

Distinguished labor correspondent recalls that the UAW profit-sharing idea is not vastly different from 50-50 stock purchase plan proposed by General Motors and Ford three years ago before going on to the question as to whether labor relations stability should be the paramount objective in industrial peace. Mr. Raskin deplores "deification of stability in industrial relations," and finds "evil perpetrated in name of stability can become terrifying." The writer anticipates increased managerial resistance to labor and more strikes this year. Believes labor should "reorganize the organized" to obtain enthusiastic support of its members.

If the auto industry could bring the same imagination to its design of new cars that Walter P. Reuther brings to the formulation of his collective bargaining programs, there would be no need to worry about the competition of foreign sports cars or other threats to Detroit's supremacy in the auto market.

With the first two rounds of the 1958 bargaining tussle behind him, Mr. Reuther has a long lead on points over the Big Three auto manufacturers. He scored an initial victory six months ago in what he likes to call "the battle for men's minds" by his suggestion that the auto companies cut $100 from the price of their new cars as an anti-inflation measure.

The companies quite properly noted that Mr. Reuther was committing himself to nothing more solid than a promise to consider shaving down preliminary demands that traditionally have so much of a "pie in the sky" quality about them that they could well represent America's basis for claiming that we were really far ahead of the Russians in voyaging into outer space. Nevertheless, the net effect of their negativity was to leave Mr. Reuther well ahead in the first exchange.

He has vastly extended his lead in this preliminary realm of psychological warfare by the unexpectedness of his specific bargaining proposals. The critics who had been prepared to tear him apart on the issue of a shorter work week were dumbfounded when he jettisoned this demand on the basis that sputnik had made plain the need for maximum utilization of our resources to outpace the Soviet Union.

Then in a fresh expression of the audacity he has shown since his earliest call for a "look at the books" right after V-J Day, this one-time Socialist made himself the champion of one of management's most cherished ideas for stimulating employee interest in the success of a business—profit-sharing.

*From a talk by Mr. Raskin before a session on "Labor Relations Pressure" at the National Industrial Conference Board meeting, New York City.

What's more, he threw in the additional gimmick of cutting the consumer in on a slice of the profits, thus torpedoing industry's favorite line that labor is always seeking to hog all the fruits of improved productivity for itself and so making it impossible for the public to benefit through lower prices.

The specific Reuther formula for dividing up profits, especially when coupled with all the additional proposals his program contains for higher labor costs, may be as full of holes as a Swiss cheese. But it was a disappointment, nonetheless, to find the major companies reacting with the time-worn cry that Mr. Reuther was trying to put over a radical scheme alien to the American free enterprise system.

Similar to Stock Purchase Proposal

In essence, the U. A. W. profit-sharing idea is not vastly different from the 50-50 stock purchase deal General Motors and Ford offered their 500,000 employees as an alternative to the so-called guaranteed annual wage three years ago. The underlying purpose was to establish a sense of partnership that would give the workers more incentive for stepping up productivity and helping the enterprise prosper.

What the cut-off in a profit-sharing system should be is a matter for negotiation in the same manner that the stock purchase plan would have been if the union had not insisted that granting of the supplemental unemployment benefit demand would have to precede any discussion of the joint ownership experiment. Mr. Reuther said he would be happy if every union member bought $20,000 worth of company stock but the offer was withdrawn when the union would not give way on wage guarantees.

Now I realize that such discussions represent a tremendous expansion of what we have traditionally considered the appropriate boundaries of the bargaining table. Walter Reuther unquestionably is a man determined not only to broaden the table but to knock all the walls out of the conference room. It would be logical enough, once the distribution of profits became a matter for negotiation, to contend that sales and production policy and everything else that went into the creation of profits was relevant to such a discussion.

These fears might be somewhat less, I suppose, if someone other than Reuther were sponsoring the profit-sharing idea. Most industrialists tend to agree with John L. Lewis' estimate that he is a smart-alecky Marxist "chronically inebriated by the exuberance of his own verbosity." Indeed, I suspect that Mr. Reuther will have a good deal of difficulty even in selling his project to his own special convention in Detroit. This is usually the fate of ideas that are too novel to fit into our normal patterns of thought. Both management and labor need a period of several years to accommodate themselves to any really new concept.

It would be my guess that the kind of thing Walter Reuther is proposing would begin to get serious consideration in about five or ten years. For myself I feel that profit-sharing or employee stock purchase plans represent a highly constructive addition to a wage determination formula that already provides for automatic improvement factors and a cost of living escalator.

Unfortunately for Mr. Reuther, it will take something more than mental agility and publicity techniques that combine the most persuasive features of Union Square and Madison Avenue to win a strikeless victory in the payoff rounds of his bargaining set-to this spring. The slack demand for automobiles makes it seem unlikely that he will be able to move any of the Big Three onto the front burner with the same sizzling fire he lit under Ford when he won the guaranteed annual wage in 1955.

Industry-Wide Front

The companies, still smarting under the outcome of that campaign, have given many signs that they will not step away from a fight this year. Their accent on Mr. Reuther's "monopoly power" raises a suspicion that they may decide to set aside their own intra-industry antipathies and band together in an all-for-one and one-for-all bargaining arrangement of the kind the steel companies formed two years ago. That could mean the first industrywide shutdown in auto history and an attendant reduction in the U. A. W.'s ability to exert its usual competitive squeeze on the manufacturer it considers most vulnerable.

Mr. Reuther may find himself in trouble even before he tangles with the auto companies—and I don't mean solely with the McClellan Committee, which is busy tearing itself apart over whether it should tear him apart. The U. A. W. and the International Association of Machinists are in process of preparing a joint bargaining program for presentation to the major aircraft producers in February and March. This calls for an across-the-board pay increase of 6% severance pay provisions, improved union security, cost of living escalators and other benefits. In this industry, too, the unions are likely to find the going tough this year. Indeed, there

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National Security Expenditures And Effects on the Economy

By DR. LEO FISHMAN and MRS. BETTY G. FISHMAN*
Professor and Lecturer, Respectively, West Virginia University

Husband and wife economist team pose and answer fundamental questions on economic effects of changes in national security spending. Dr. and Mrs. Fishman find it is not generally realized that military expenditures for the postwar period are continuing to increase, without necessitating borrowing or lowering our standard of living. They also examine effect and timing of such expenditures upon economic activities and growth, and observe that such spending is so large as to limit Federal spending's effectiveness in achieving economic policy goals. Recommend public works stand by programs to be put into effect to compensate for substantial drop in overall economic activity at the time a large scale military cut-back should occur.

Any meaningful discussion of the economic significance of national security expenditures must be based on the magnitude of those expenditures. Although it is a matter of common knowledge that Federal expenditures for national security purposes have been much larger since World War II than they were before the war, the full extent of their increase as compared with prewar years is not so widely appreciated. Nor is it generally realized that if the entire postwar period is considered, it appears that national security expenditures are continuing to increase, rather than declining or remaining stable.

Although the increase in expenditures for military purposes during the Korean hostilities was so very much smaller than the increase which occurred during World War II, the decline which occurred at the end of the Korean hostilities was smaller still. Thus, as the table below indicates average annual Federal expenditures for national security during the first three full years after the end of hostilities in Korea were very much higher than the corresponding figure for the three full years immediately preceding the outbreak of hostilities, or for the first three full years after the end of World War II.

Peacetime High in 1957

In 1956 Federal expenditures for national security totaled $42.4 billion, accounting for 89.8% of total Federal purchases of goods and services and 10.2% of our Gross National Product. By way of comparison we may observe that in 1939, the year in which World War II began, Federal expenditures for national security were only $1.3 billion, accounting for only 25.0% of total Federal purchases of goods and services and only 1.4% of our Gross National Product. Even in 1949, the last full year before the outbreak of hostilities in Korea, Federal expenditures for national security were much lower than they were last year, amounting to $19.3 billion, a figure which represented 76.0% of total Federal expenditures and 7.5% of our Gross National Product for that year. Present indications are that total Federal expenditures for national security during 1957 may reach a new peace-time high. (This was written before the end of 1957. Recently published figures indicate that total Federal expenditures for national security in 1957 rose to a new peace-time high of $45.7 billion.—L. F.-B. G. F.)

Although some part of the apparent increase in national security expenditures is the result of changes in our price level, most of the increase cannot be attributed to rising prices, nor indeed to any economic factors. It is fairly obvious that most of that increase is attributable to changes in our international relations and to changes in modern methods of warfare, rather than to any changes in our economy or our economic policies. But it is equally obvious that such large expenditures for national security purposes must themselves have some effect on our economy and on economic policy. Many questions concerning the economic effects of national security expenditures suggest themselves, and we will attempt here to deal with only a few of them.

The most persistent, and in one sense the most basic, query is, "Can we afford such huge expenditures for national security, and if so, for how long can we continue to make them?" The answer to the first part of this query is decidedly "Yes." We have not paid for the increase in national security expenditures by a reduction in our civilian standard of living. Quite the contrary. Our population enjoys a higher material standard of living now than it did in the years preceding World War II or even in the years immediately following World War II. And, barring a general economic recession, it seems likely that our standard of living will rise still further in the years ahead, even if there is no reduction in our national security expenditures.

Financed, So Far, by Taxes

Although it does not bear directly on the question of whether we, as a nation, can afford our huge national security expenditures, in will doubtless be reassuring to some persons to learn that the increase in our national security expenditures since the end of World War II has not been financed by an increase in our Federal debt. On the contrary, there was a slight reduction in the Federal debt between 1946 and 1956, and it is anticipated that there will be a further reduction this year. In other words, our national security expenditures have been financed by Federal taxes, rather than by Federal borrowing.

The answer to this first question, in turn, gives rise to a second. "Would our standard of living have been even higher in the postwar period if we had not had such large national security expenditures?" To this question, it is impossible to make an unqualified reply. Our answer must depend on whether we believe our economic resources would have been just as fully employed during this period as they actually were, even if national security expenditures had been reduced to a much lower level.

However, if we are willing to assume that we would have had full or nearly full employment of our economic resources during the postwar period, even though our national security expenditures were reduced to, let us say, their prewar level, then we can say with some certainty that our standard of living during this period would have been higher than it actually has been. For if some of the economic resources which have been used to produce goods and services for national security had instead been used to produce consumer goods or to produce capital goods, which in turn would be used to produce consumer goods, obviously the total supply of goods available to civilian consumers would have been larger than it actually was.

Since our answer to the previous question involves a qualification concerning the over-all level of economic activity, it seems reasonable to turn our attention next to the effect which national security expenditures have had on the level of economic activity during the postwar period. Here again, it is impossible to dispose of the matter with a brief and simple statement, unless we are willing to content ourselves with the observation that the effect has varied at different times.

Effect on Economy

For the period as a whole, the effect has undoubtedly been stimulating. But what about the years 1946, 1947, 1950 and 1954, when Federal expenditures for national security purposes declined? Surely, it cannot be argued that they provided a stimulating effect on our economy in those years. On the contrary, the reduction in national security expenditures when hostilities ended in Korea (from an annual level of $53.3 billion during the second quarter of 1953 to an annual level of $43.2 billion during the second quarter of 1954) contributed to the dip in over-all economic activity which we experienced in the latter part of 1953 and the early months of 1954. In other words, the direction of change in the magnitude of national security expenditures, provided the change be large enough, is more significant in this connection than the actual magnitude of those expenditures.

In order to understand the effect of national security expenditures on the general level of economic activity, however, we must consider more than the figures on national security expenditures alone. We must know something about the timing of those expenditures, the general level of economic activity in the civilian sector of the economy, the underlying strength or weakness of civilian demand for goods and services, the manner in which national security expenditures are financed, and the particular types of goods and services which the Federal Government is purchasing for national security purposes.

There have been times during the postwar period when, because of the strength of civilian demand for goods and services and the timing of increases in national security expenditures, those expenditures have exerted a strain, rather than a beneficent stimulating effect on our economy, and have probably contributed more to the upward movement of prices than to an increase in production.

There have been other times, such as the recent past, when shifts in procurement policies from one type of weapon or facility to another have had significant effects on our economy irrespective of any change in the magnitude of expenditures. The economic significance of shifts of this type is particularly marked when shifts are made suddenly, rather than gradually; when those shifts involve a change in the geographical pattern of production for national security purposes; and when they give rise to a completely different pattern of demand for basic raw materials, and for the factors of production. Of course, the economic significance of shifts of this type is necessarily greater when the expenditures involved themselves are greater.

It has been recognized by many economists in recent years that an increase in Federal expenditures can have a stimulating effect on the economy, even if it is financed by taxes, rather than by borrowing.[1] Nevertheless, it is true that the stimulating effect of the increase will be more moderate when it is accompanied by a balanced budget than when it involves an increase in the public debt.

Influence on Economic Growth

Another important question relating to the effect of national security expenditures concerns their influence on economic growth. "Is it salutory or otherwise?" This question, like the one on our standard of living, cannot be answered unless we are willing to make some assumptions regarding the level of economic activity which would have prevailed during the postwar period if national security expenditures had declined to, say, their prewar level. For economic growth is closely related to the general level of economic activity, slowing down when the level of economic activity is low, and increasing when the level of economic activity is high.

However, if we are willing to assume that we would have had full or nearly-full employment of our economic resources during the postwar period even without our large national security expenditures, then we can argue with much conviction that our large national security expenditures have served to impede our economic growth. Military goods and services, necessary though they may be, are from an economic point of view non-productive, even wasteful. Resources devoted to the production of military goods and services do not add to our current standard of living, nor do they increase our capacity to produce more goods and services in the future.

If we had enjoyed the same level of economic activity and had not made such large expenditures for national security purposes, at least part of the economic resources which were devoted to the production of military goods and services or to the creation of facilities for the production of military goods and services, would instead have been devoted to the production of capital goods, or to other uses which in turn would enhance our capacity to produce economic goods and services for civilian consumption. Under these circumstances the rate of economic growth in this country during the postwar period would have been larger than it actually has been.

It follows from what has gone before that although we must recognize that national security expenditures will have a significant influence on economic developments in the future, as they have at present, and have had in the immediate past, we cannot determine exactly what that influence will be. We may, of course, say that all other things being equal or neutral, an increase in national security expenditures will tend to have a stimulating or inflationary effect on our economy; a decrease in national security expenditures will tend to have a depressing or deflationary effect; while a stable level of national security expenditures will enhance the possibility of economic stability. All other things are seldom equal or neutral, however, so that generalities of this nature unless they are supplemented by much more precise analysis of the various situations which may arise are of limited value to those concerned with the practical problem of formulating economic policy.

Two Observations

Such detailed analysis would be inappropriate in this discussion. Two points which may be made in this connection, however, are

National Security Expenditures Compared With Gross National Product and Total Purchases of Goods and Services by the Federal Government (1939 and 1946-1956)

Period	Gross National Product	†Total Federal purchases of goods & serv's	‡National security expenditures	% of Gross Nat'l Product	% of total Fed. purchases of goods & serv's
	Billions of Dollars				
1939	91.1	5.2	1.3	1.4	25.0
1946	209.2	20.9	21.2	10.1	101.4
1947	232.2	15.8	13.3	5.7	84.2
1948	257.3	21.0	16.0	6.2	76.2
1949	257.3	25.4	19.3	7.5	76.0
1950	285.1	22.1	18.5	6.5	83.7
1951	328.4	41.0	37.3	11.4	91.0
1952	345.4	54.3	48.8	14.1	89.9
1953	363.2	59.5	51.5	14.2	86.6
1954	361.2	48.9	43.1	11.9	88.1
1955	391.7	46.8	41.3	10.5	88.2
1956	414.7	47.2	42.4	10.2	89.8
*1946-1956	313.2	36.6	32.1	10.2	87.7
*1946-1948	232.9	19.2	16.8	7.2	87.5
*1947-1949	248.9	20.7	16.2	6.5	78.3
*1954-1956	389.2	47.6	42.3	10.9	88.9

*Average. †Gross expenditures by the Federal Government for the purchase of goods and services less total sales by the Federal Government. Total sales by the Federal Government in billions of dollars amounted to 2.7 in 1946, 1.3 in 1947, 0.5 in 1948, 0.4 in 1949, 0.3 in 1950, and 0.4 for each of the years 1951-1956.

‡Includes expenditures for military services, international security and foreign relations (except foreign loans), development and control of atomic energy, promotion of the merchant marine, promotion of defense production and economic stabilization, and civil defense. These expenditures are not comparable with the "major national security" category in "The Budget of the U. S. Government for the Fiscal Year Ending June 30, 1958." Source: U. S. Department of Commerce.

*Statement prepared for the Subcommittee of Fiscal Policy of the Joint Economic Committee and published by the Committee in a document entitled *Federal Expenditure Policy for Growth and Stability.*

1 For a discussion of this point and a list of references to other writings on the same subject, see William J. Baumol and Maurice H. Peston, "More on the Multiplier Effects of a Balanced Budget," *The American Economic Review,* Vol. XLV, No. 1, March, 1955, pp. 140-148.

worthy of observation. The first is that national security expenditures by virtue of the fact that they are now so large and that they vary in response to forces which are independent of economic conditions and policies, necessarily exercise a limiting influence on the power of the Federal Government to use expenditure policy for the purpose of promoting full employment or achieving economic stability. In view of this fact, it is important that economists both in and out of the government service explore the possibility of developing other means of implementing the policies set forth in the Employment Act of 1946.

The second point worthy of observation is that if a sudden large decrease in national security expenditures were to occur as a result of successful disarmament negotiations coupled with a general lessening of international tensions, it would probably lead to a substantial reduction in the overall level of economic activity, and might very well have more far-reaching effects than a reduction of similar magnitude in the level of private investment expenditures.

It is true, that predictions similar to this proved to be completely false after World War II. But let us not forget that at that time, as a result of wartime price control coupled with an acute shortage of many types of consumer goods—especially consumer durable goods — and generally rising incomes, there was a huge backlog of consumer demand to fill the gap caused by the reduction in military expenditures. At present no such backlog of consumer demand exists, nor is it likely that such a backlog will develop in the near future, unless once again we become involved in hostilities on a large scale.

This does not mean that we should attempt to avoid any large decrease in national security expenditures or that we should fear its occurrence. On the contrary, for economic as well as non-economic reasons it would be highly desirable. But it does mean that we should be prepared to adopt measures suitable to cope with the situation when it does occur, if it becomes evident that supporting measures are necessary. Worthy of consideration in this connection is the desirability of developing stand-by programs providing for increased expenditures on such things as public roads, schools, hospitals, etc. Expenditures of this type are similar to national security expenditures in that they do not themselves increase the sum total of either consumer goods, or capital goods which in turn are used to increase the sum total of consumer goods.

But expenditures of this type, unlike national security expenditures, may be deliberately varied by our economic policy makers in response to variations in other segments of our economy. Moreover, assuming a lessening of international tension, it is clear that expenditures of this type will yield far more desirable results than national security expenditures, in the long-run as well as the short-run, and from a non-economic, as well as an economic, point of view.

Cleveland Analysts to Hear D. B. Macurda

CLEVELAND, Ohio—Donald B. Macurda, partner in F. S. Smithers & Co., and an authority in the field of aluminum securities, will address the Cleveland Society of Security Analysts on March 25.

There will two meetings of the Society in that week—on March 25 and a meeting on Procter and Gamble on March 26.

High Cost of Conservatism In Pension Fund Investing

By PAUL L. HOWELL*
Partner, Paul Howell Associates
Research Dir., Twentieth Century Fund's Pension Fund Survey
Visiting Professor of Finance, Columbia University

Pension funds require a dynamic imaginative investment policy devoted primarily to common stocks, as best way to help compound interest perform its miracle of growth, declares Professor Howell. Financial consultant maintains that adherence to a low yielding all-bond portfolio constitutes an "economic crime" in these inflationary times. Shows that many funds could double retirement benefits by raising earnings to 6%. Concludes large union pension funds must recognize they are now major capitalistic institutions to be operated on a sound financial basis.

I
Principles Governing Pension Fund Investment

Let us consider for a moment the framework within which pension fund investments are made.

(1) There is an extremely long period of accumulation and distribution of funds. In fact, although employees come and go, there is no prospect that accumulated pension funds will ever be liquidated.


Paul L. Howell

(2) A qualified pension fund is completely exempt from income and capital gains taxation as a charitable trust.

(3) In-flow of funds (contributions and earnings) will exceed out-go by a substantial margin for the foreseeable future. Sustained growth of pension funds is expected for the next generation.

(4) Retirement plans are not subject to catastrophic hazards. Retirement and payouts can be forecast many years in advance.

(5) There is a complete absence of any legislative investment restrictions.

Investment engineering specifications usually include obeisance to the following sacred cows: (1) Safety of principal; (2) Certainty of return; (3) Adequacy of return; (4) Tax aspects; (5) Marketability; (6) Liquidity; (7) Capital appreciation; (8) Collateral value; (9) Freedom from care; and, (10) Maturity. The attainment of some of these objectives necessarily conflicts or limits the achievement of other objectives.

In the light of the framework outlined above, it is submitted that the following criteria should govern the formulation of pension fund investment policy and its execution.

(1) In the management of pension funds, their productivity, (i.e., dividend yield and capital appreciation) should be the primary objective, completely overshadowing all others.

(2) As a corollary of this, inflation should not play a part in determining pension fund investment policy. Investment management should get as large a return as feasible regardless of stable or rising prices. The only situation in which inflation becomes a factor is in the selection of industries and companies which will be benefited (or impeded) by changing price levels.

(3) There is a complete absence of any need for liquidity.

(4) Pension funds should be invested as received, i.e., full investment all the time. This amounts to "dollar averaging."

(5) Because of full investment, growth, absence of catastrophic hazards, and dollar averaging (instead of formula programming) there is little need to take a defensive position with the resultant lowering of overall portfolio yield.

Importance of Return (Yield and Appreciation)

Most retirement plans are set up on an actuarial expectation of earnings of 2.5% to 3.0%. Because of the long period of accumulation and subsequent distribution the rate of return on invested funds is the dominant factor in determining pension costs to employers or benefits to retired workers.

An increase of pension fund yield of 1% (i. e., from 2.5% to 3.5%) will increase benefits over 25%. Needless to say an increase of benefits to retired workers is of no small significance, whether we have stable prices of inflationary loss of purchasing power. It is well known that industrial pensions are not far above subsistence level for most workers.

Because of the time period over which compound interest has an opportunity to work its miracle an increase in effective return from 2.75% to 6.0% will increase accumulations so that benefits can be nearly doubled.

Is the achievement of a 6% returns so difficult or revolutionary? Or, is it reasonably attainable in actual conservative practice?

The Achievement of Greater Net Investment Returns

It is submitted that a systematic program of periodic purchases of diversified, professionally selected common stock is the soundest way to achieve the lowest cost or the greatest retirement benefits.

A 100% investment in common stock is quite contrary to "orthodox" institutional investment thinking. This strait jacket of the past with respect to investing of pension funds is most inappropriate and extremely costly.

Let us examine the record. The monumental investigation of the performance of common stocks by the Cowles Commission[1] shows that the achievement of a 6% return over a sustained period is not impossible. On the contrary the mediocre results of the market averages do better than 6%. The Cowles Commission made an intensive analysis of the market and income results of a broad list of industrial, rail, and utility common stocks, covering the period from just after the Civil War to the middle of the depressed 1930's. It was found that these stocks averaged a net return over this 68 year period, ending in a depression, which was nearly 7%. If this study were extend through 1956 it would be found that the average return (dividends and appreciation) would exceed 7.5%.[2]

Similarly, the Dow-Jones Industrial average has increased market-wise, by more than 3% a year during the past 50 years with a dividend yield approaching 6%. As Edgar Lawrence Smith[3] pointed out many years ago, the compounding effect of retained earnings on market performance is enormous. Many other studies have been made which confirm this long run productivity of common stocks.[4]

It is indeed true that if you took an **entire** fund and invested it in 1928 or 1929 history would show that it would take nearly 15 years to recoup itself. But pension funds do not invest huge amounts suddently in a bull market. Regular periodic investment or dollar averaging, during the subsequent depression, would more than compensate for the losses sustained on the small proportion of funds invested at the height of the stock market boom.

Benefits of Independent Professional Investment Counsel

In addition to achieving merely the mediocre results of the averages there should be an important plus factor.

It is claimed that investment is a technical job which requires high training, experience, ability and judgment supported by extensive and constant staff research. Such managerial skill, if it is to live up to its claims, should show results in earnings above the mediocrity of the averages.

It seems not unreasonable that professionally managed funds should earn from 10 to 20% more than the average results of an unmanaged fund. It is concluded that a well-managed pension fund should be able to earn, over an extended period, a net return in excess of 8%.

These professional investment advisers, however, must be chosen with great care. Investment management is a full time, professional job, requiring the highest degree of technical competence and adherence to fiduciary standards. Criteria to be considered in the selection of an investment adviser include the following:

(1) Competence
(2) Personalized attention.
(3) Continuity of advice and service.
(4) Absence of conflicts if interest.

Too often lawyers or accountants are asked to advise when they do not have the right kind of training, nor the time or appropriate staff. Trust officers, through long adherence to fiduciary principles of protecting the principal of the estate through bond investment for the benefit of the remainderman, may not have the proper mental attitude. They have been conditioned to "play it safe." Don't take a

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*An address by Prof. Howell before the Annual Convention of the American Finance Association, Philadelphia, Pa.

1 Cowles, Alfred, Common Stock Prices, 1871-1938.

2 See performance of Standard & Poor's Common Stock Index during the past two decades.

3 Smith, Edgar Lawrence, "Common Stocks as Long-Term Investment," Macmillan, 1924.

4 See, e. g.:
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Does Our Federal Reserve System Require Any Revision?

By THEODORE H. SILBERT*
President, Standard Financial Corporation, New York City

Commercial finance head explains why, in his opinion, our central banking system needs revision in order to bring it "in line with our dynamic 1958 economy." This, Mr. Silbert asserts, entails coordinating monetary policy covering banking, credit control, federal debt and lending policies, and federal budgetary financing. Questions advisability of concentrating on price level goal to the disregard of "equally important growth aspects of our economy . . . choked off by tightening bank credit," and finds passé such activities as role of gold, rediscounting, etc.

The Federal Reserve Board was created in 1913 when our banking system was literally in the horse-and-buggy stage, and Sputnik satellites existed only in science fiction. Our manufacturers then made only modest demands on our banking system.

Theodore H. Silbert

In the intervening years, our economy has so changed as to be unrecognizable either in its underlying dynamics or its physical appearance. Yet in many respects, the country is still governed today by our 1913 banking philosophy and machinery. It is as if we were using a bunch of Keystone Kops to cope with today's interstate crime.

Important private lending sources today — insurance companies, pension funds, profit-sharing funds—are completely outside the Federal Reserve System. Important public agencies — the Small Business Administration, the Federal Housing Administration, the Federal Home Loan Bank and other Federal credit sources—are outside the Federal Reserve System. Yet their combined activities affect credit conditions.

Basic Philosophy of 1913

The basic philosophy of our 1913 Federal Reserve legislation still affects the thinking of many of our banking officials. In some quarters, monetary policy is still conceived as merely control of the size and interest cost of the nation's money and credit. Yet our modern-day Sputnik economy requires a coordinated monetary policy covering banking, credit control, Federal debt and lending policies, and Federal budgetary financing for the purpose of maintaining a dynamic economy, with growing production and consumption, and expanding employment.

The fact that the Federal Reserve Board today takes as its narrow objective the maintenance of a stable price level—with apparent disregard that such an objective may severely cripple our expansion and growth — may be one indication that our banking philosophy and machinery require some careful reconsideration, perhaps more than we have done heretofore.

Our whole practice of banking has changed completely since those days of 1913 when the Federal Reserve Board came into being. The gold standard was paramount. Every currency unit based on gold was freely convertible into gold.

Gold Determined Everything

Gold provided the basic determinant of the volume of bank reserves and the nation's money supply. According to the theory, the movements of gold into and out of a nation's bank reserves were the best index of that nation's credit conditions. A gold inflow indicated a need for monetary expansion; a gold outflow, the reverse. Adjustment was almost automatic, and the Federal Reserve had little to do except to decide when to push the expansion button, or the contraction button.

But this proved insufficient. In 1923 and on several occasions between 1925 and 1929, the Federal Reserve authorities directly intervened to offset gold flows by other credit policy. But the painful 1931 experience shook our confidence. The central bank was of little help in checking deflation and apparently—according to some students of monetary policy—intensified it by following orthodox financial policies. This helped take the automatic gold regulator out of our internal banking system.

Our practice of banking has changed in other respects since 1913 when the Federal Reserve was created. Bank lending was sharply limited then. Banks were supposed to accommodate their customers on the basis only of short-term (90-day) self-liquidating commercial and agricultural paper, which represented things in course of production. That was about the predominate type of loan the banks made in those days, and the banking legislation was drawn with this basic idea. Today, the banking system provides enormous amounts of consumer, mortgage, capital and term credit. These types of credits completely changed our conception of banking.

Role of Discounting

In still another respect, our practice of banking has changed from 1913, particularly in regard to rediscounting. In those days, the theory of the central bank was that if member banks lent too much to industry and agriculture, the banks would soon run out of loanable funds. Thereupon, they would have to take some of their commercial paper to the Federal Reserve bank for rediscount, in order to get more cash. By the Federal Reserve raising the rediscount rate, member banks would be discouraged from lending any more to customers. In this manner, rediscounting by the central bank was supposed to be an effective brake on expansion. By the same token, if the central bank wanted to encourage more member bank lending, it had only to lower the rediscount rate to make more loanable funds available.

In the last few years, few commercial banks have taken their commercial paper to the Federal Reserve bank for rediscount. Total amounts are small. What most member banks have done, was to sell their short-term government securities, and thereby get the extra cash they needed. It was only after several years of selling off short-term obligations that many banks now may have to face the rediscount rate. Whether this will prove helpful in controlling bank credit remains to be seen. Much more potent influence is the regulatory authority which the banks exercise in limiting borrowing.

As for the Federal Reserve Board being able to activate additional lending by *lowering* the rediscount rate, as the 1913 legislation contemplated, we have only to remember that making money less costly at the Federal Reserve, doesn't necessarily put banks in a mood to lend. Rediscount rates, for example, were slashed frantically during the depression in the early 1930's, but most banks were not interested in lending, and few of their customers were interested in borrowing to increase production when they couldn't sell what they were already producing.

It is true, of course, that when the Federal Reserve buys government securities, it tends to make the whole economy more liquid and hence more likely to spend. But in the early 1930's, even this did little good.

Bank Reserves

Finally, in still another respect, we have shifted away from our 1913 practice of banking—particularly in regard to bank reserves. The Federal Reserve System was set up to provide pooled reserves for individual banks. These reserves were designed to help maintain over-all bank liquidity in times of stress. Finally, they were to provide depositors with protection against loss of deposits.

These reserves still serve as pooled protection against unforeseen runs. But our experience in the 1930's showed that these reserves weren't much help in protecting depositors. In an endeavor to protect depositors in the 1930's, the pressure of examiners on banks to liquidate "slow" and "doubtful" loans and investments intensified the downward spiral of the times. This liquidation forced more bank failures, which deeply injured the very people that bank policy was supposed to protect — and incidentally deepening the depression.

We have therefore changed our thinking on reserves. We now provide deposit insurance for this purpose. This, rather than any central reserves, revived the public confidence in our banks.

1913 Theory Summarized

In short, the original 1913 theory of the Federal Reserve was simple: if the banks provided only short-term, self-liquidating loans, and if rediscount facilities were provided to meet financial crises, the proper amount of money to meet business needs would be automatically forthcoming. In the background, the gold standard provided a basis for the volume of bank reserves, and this too was automatic. The original framers of the Federal Reserve Act envisaged a sort of "push-button" central banking system.

The buttons provided were clearly labeled "rediscount rates," "open market operations," "reserve ratios." Expanding and contracting pooled reserves, clearance for interregional checks and currency, printing of notes, and service as fiscal agent for the government, these were all part of the machinery under the buttons. Credit control, in the main, was seen as a problem of seeing that banks follow "sound" banking practices.

Control of the Federal Reserve System was more or less placed in the hands of the Reserve bank presidents, all of whom understood the basic theory of banking as outlined here, and were heartily in favor of it. By the same token, every businessman who understood banking, was equally in favor of this theory. And while in our wisdom, based on hindsight, we now see some of the shortcomings of the Federal Reserve System, it provided the first real basis for a national banking system, without which this country would never have grown as great as it has.

Revision of Banking Laws

In 1933, 1934 and 1935, we revised our banking laws. The Federal Reserve System was given important new powers to control the total quantity of bank credit and the uses to which it could be put. In addition, control over the system's credit-policy decisions was vested more completely in the Board of Governors, whose members were appointed for 14-year terms by the President with the consent of the Senate. It formalized the existence of the Federal Open Market Committee, and made the Board of Governors more independent by removing the Secretary of the Treasury and the Comptroller of the Currency as ex-officio members. We also provided for deposit insurance through the Federal Deposit Insurance Corporation.

But it was only then that we began to review seriously the effect of bank credit upon our economy, our techniques for controlling credit, and the effect of the nation's fiscal and debt policies upon our banking system and upon our price structure. In short, it took us 20 years to learn that central banking is not merely a matter of banking procedures, automatic checks and balances with a minimum of discretionary intervention, and interregional check clearances.

This new world in which we live now has no automatic gold standard to regulate bank reserves. Banks are no longer limited to short-term, 90-day, self-liquidating loans to business and agriculture. In fact today, the total of bank direct lending just to consumers alone, is far greater than the total of all bank loans to industry and agriculture in 1913—when no bank would consider any consumer loans.

Many New Lending Agencies

And while our money supply and bank loans have increased ten-fold, many other lending agencies have come into existence, or have expanded since 1913. Savings and loan association loans have grown from $1 billion in 1913 to $36 billion today. Small loans to consumers have risen from $300 million to $13 billion.

Life insurance companies which, in 1913, loaned mainly to railroads in the business sector, expanded their loans from $4.4 billion in 1913 to $76 billion today—a substantial portion of which now goes to industry. Pension funds, another lender to industry, have expanded from $50 million to $30 billion. This is a whole new world.

In 1913, commercial banks were the heart of our money system, and gold was the life-blood. Control of gold and cash flowing through a few top banks in New York and Chicago was thought to be sufficient to keep a rein on the nation's economy. Today, the largest bank in the country is in California, and as for gold, that is something the dentist puts in your teeth. Finally, it is questionable today whether control of bank rates or rediscount policy or control of the volume of reserves, is really tantamount to control of the nation's economy.

New Problems

Just as changing economic developments and concepts during the late 1920's and early 1930's led to important changes in the Federal Reserve Act, so the events of the past decade appear to have raised new problems for the Federal Reserve Board.

Today, monetary policy obviously covers the usual Federal Reserve credit-policy operations—open-market operations, reserve requirement and discount rate changes plus control over stock market credit, and "moral persuasion." It also is intimately concerned in all Federal debt policy which, except for intragovernment transactions and direct refundings, affects the public's supply of government securities. Monetary policy now must deal with the impact of Federal cash deficits or surpluses. No central bank can now stick to its own narrow baliwick. Traditional "monetary" policy is now mixed up with Federal "fiscal" and "lending" policies, because of the large effects of these latter policies. Finally, monetary policy of course affects the nation's production and consumption, employment and unemployment.

The pattern of war finance demonstrated clearly the intimate relation between the credit policies of the Federal Reserve on the one hand, and the fiscal and debt policies of the Treasury on the other. During World War II, it became clear that the Federal Reserve felt committed to help the Treasury finance the war at low interest rates. This intimate relation continued to dominate the credit-policy picture until 1951 when the Federal Reserve and the Treasury agreed to operate parallel but separate policies.

The 1951 Accord

The 1951 accord that ended the Federal Reserve's pegging of the market, subordinated the Treasury's debt management operations to the Federal Reserve's control over credit in general.

However, the Federal Reserve has supplied funds to the money market when a Treasury offering was due. This helped assure a successful financing. On two occasions in the last four years, the Federal Reserve has directly purchased Treasury securities to assure a financing success.

This doesn't mean that debt management is no longer important since the 1951 accord. It is still a powerful weapon, particularly as a supplement—if not a substitute—for credit controls.

Treasury Action

For example, in late 1953 and through 1954, the Treasury refrained from issuing any long-term bonds that might have gone to non-bank investors. Much as the Treasury would have liked to stretch out the debt, it realized that to do so during a business downturn might create a shortage of funds for other investments. However, in July, 1955, the Treasury turned around and sold more than $750 million of 3%, 40-year bonds in a debt-lengthening operation. At a time when the Federal Reserve started to tighten credit, the Treasury operation constituted a further turn of the screw.

The Federal Reserve Board's responsibility is obviously more than control of the size and interest cost of the nation's money and credit supply. It is a complex control of a complex modern economic system—and at best, the Federal Reserve Board control is imperfect. Based on the basic 1913 theory that central banking is pretty much a matter of credit control, the Federal Reserve Board has proceeded to use its traditional weapons. At best, the Federal Reserve Board's methods have had some effect, even though there are large areas of credit outside the Board's control—e.g., such lending agencies as the Small Business Administration, the Federal Housing Administration, the Federal Home Loan Bank, and other Federal credit agencies.

However, as Professor Sumner Slichter has recently pointed out, even if the Federal Reserve control of our economy were perfect, there is serious question as to whether the Board's credit controls have not created more harm than good by being administered without regard to other important aspects of our volatile economy.

Current Objective

The Federal Reserve has taken as its current objective that of retarding a rise in the price level. This has been placed ahead of the objective of encouraging or even

*An address by Mr. Silbert before the Los Angeles Finance Association, Los Angeles.

permitting an expansion of production. In the main, the Board is endeavoring to restrict the rate of growth to that output level which is compatible with a stable price level. Any faster rate of growth, according to the Federal Reserve, is bound to produce runaway inflation.

No one knows to what extent bank credit restraint has hobbled production rather than prices. Price trends of the last 18 months indicate that the credit restraint policy has been only partially successful in holding down prices. But the effects on production have in some cases been severe—particularly in the area of smaller business.

Credit restraint has had a decided effect in unbalancing our economy insofar as large business is concerned. But restraint on bank credit is most seriously felt among smaller corporations—mainly because bank credit is virtually their only source of outside financing, in addition to trade credit and commercial finance company funds.

Big Business Credit

Larger corporations, however, not only use multiple lines of credit at many banks, but have access to the commercial paper market for short-term funds. In addition, they can use the security markets for public financing. Finally, they have access to insurance company and pension funds for long-term loans. And if bond interest rates are too high, larger corporations use short-term bank funds and wait until market rates drop—if they do.

Unincorporated businesses, however, were able to increase their bank loans by only $500 million in 1956. This was actually $3½ million less than 1955. The Small Business Administration, which accepts loan applications only from firms turned down by a bank, is currently opening additional offices in six States in addition to offices already established. In the fiscal year beginning last July 1, the appropriation for the Small Business Administration was increased to $9.6 million from $8.4 million the year before, and at the same time the agency's revolving fund was raised from $100 million to $330 million. How can we explain the need for the Small Business Administration and its growth if bank credit is fairly apportioned to the smaller companies of our business community?

Secretary of the Treasury Humphrey, testifying before the Senate Finance Committee in June, 1957, and after pointing out how small business had been aided by bank credit, explained: "While it is true that total business loans of banks increased somewhat more rapidly than those loans for amounts under $100,000, this is a pattern which would be expected in such a period of rapid economic expansion. . . ."

Provocative Question

Why the proportion of bank loans to larger business establishments should grow more rapidly than bank loans to smaller corporations, is an interesting question, made more so by the Federal Reserve Board restraint on bank credit. But that this should be "a pattern which would be expected," is even more provocative.

This is not to be confused with the higher interest rate. Cost of money is one thing; availability of money is quite another.

The multiple sources of credit available to larger business would indicate that the Federal Reserve Board's credit control is not only far from perfect, but even in its imperfection, tends to control smaller business far more than larger. At present, the Federal Reserve has no direct control over savings and loan associations, life insurance companies, and other large-scale lenders that parallel banks.

Cost of Price Stability

Obviously, if we insist on price stability as the most important aspect of our economy at times, we must be prepared to pay the cost of this emphasis. Part of that cost may well be the effective stunting of many small businesses and the hobbling of the dynamic productive forces of our economy.

It is well and good for the Federal Reserve Board to maintain that the sole cure for the current credit tightness is an increase in savings. This is obviously true, and certainly to be desired. Higher interest rates brought about by higher rediscount rates, are therefore praised on the grounds that they will attract greater savings.

Reasonable as this may seem, the facts would seem to indicate that higher interest rates have little to do with savings. Raymond Goldsmith's *A Study of*

Continued on page 29

THE MARKET . . . AND YOU

By WALLACE STREETE

The stock market rally, apparently, ran out of steam this week and Tuesday's action of the industrial average in piercing what was thought to be a support level at around 445 added another new question mark to its future course.

* * *

Thanks to the spirited upsurge throughout January, the list was still solidly in plus ground on the year but to many the fact that no intermediate "floor" had developed during the rally was a hint that the lower area of its 1958 range of 435-460 would have to come in for a testing before the picture would get clearer.

News Discouraging

Certainly there was little news around to inspire any better market action. The procession of reports showing a sharp downturn in individual company fortunes late last year was a long and steadily growing one. Some dividend casualties were already on record, steel and auto lines were still sluggish, oil operations were getting pinched, unemployment took the sharpest monthly upturn in the dozen and a half years such figures have been available, and so on.

* * *

Drugs, tobaccos and food shares were in favor, as well as picked utilities on occasion. Rails, which had been well deflated in the long and persistent decline, were a bit resistant even where, as in Rock Island, the dividend news was bad. Rock Island's payment was cut back from 67½ to 40 cents. But it set the stock back only moderately when the news broke.

Steady Food Stock

The placid member of the food section probably is Consolidated Foods which through all the ups and downs of last year carved out a range of only around 2½ points and has held, despite a 10% stock dividend in 1955, in a range of only about 4½ points in more than three years.

Consolidated Foods is an important member of the group, rating as the largest wholesale distributor in the country for various food items, including coffee and canned fruits and vegetables. The company in the last couple of years has made important statistical progress that belies the languid action of the stock, boosting sales from less than $225 million in 1955 to more than $332 million last year. Its results for only half its latest fiscal year included net per share of $1.35 which compares with $1.64 for the full previous year and $1.46 in the 1956 fiscal period. The well-covered dividend offers a yield of 6½%.

* * *

Similarly the issue showing most signs of neglect in the store chain section is W. T. Grant which has yet to carve out a 10-point swing for more than a year, has a book value well above the recent market price, is enjoying good earnings, offers a sheltered dividend which indicated a return of nearly 6¾% at its recent price.

Oil "Bargain"

There wasn't much in the way of favoritism toward the oils except where, as in the case of Pure Oil, a trim of a score of points from its 1956 peak held the promise of a bargain, at least statistically. Pure Oil has grown greatly in recent years in its capacity to uncover its own crude supply. It is an integrated company that, like the rest, felt the last quarter letdown in business. Nevertheless, for the full year it covered its dividend twice over and, as one source puts it, is now available at a third of its book value in property and reserves.

Culling Western Rails

There are few champions around for the Eastern railroads but the trouncing some of the better quality lines have gotten in recent months also resulted in some culling of what appear to be the better bargains. Railroading generally is in the doldrums for fair, but Great Northern Railway, for one, is a far different operation today than it was when the rails last had trying times.

* * *

From a level of $20 million a year to cover fixed charges, Great Northern now has trimmed this commitment to $8 million and has built up its dividend income to $10 million which more than covers the fixed charges. The principal source of dividend income is the Burlington which it owns jointly with Northern Pacific with which a merger is being studied. Such a union would make a super colossus of the railroad business. Moreover, Great Northern has been aggressively developing its industrial sites along the lines to the point where some 3,000 new plants have been added in the last decade, including six large aluminum plants added through the hydroelectric power emphasis in the Northwest.

* * *

Rubber shares were prominent on easiness at times that seemed a bit excessive when matched against the projections for the industry through this year. Results are expected to dip a bit from last year's levels, mostly because of production of fewer autos. Sales of tires to the auto makers continue to be the mainstay of the tire business but replacement demand has been picking up and the profit margins here are more favorable. The industry, moreover, has progressed to where non-tire sales are more than half of the total business and here, too, only slight declines in demand are foreseen. Added up, it shows a picture of good business for the full year, off only slightly from the 1957 record results.

Dividend Boost Candidate

Candidates for dividend improvement aren't many at the moment, but H. J. Heinz is something of an exception in that it is regarded as in position to boost the payment, although probably not in any rush. The company derives more than two-thirds of its profit from foreign operations, sells well below book value and has been reporting steady year-to-year earnings improvement to where last year it probably came close to doubling the $3.12 earned in 1953.

* * *

A low-yield item, but one that is going ahead steadily with its expansion projects is Eastman Kodak. Its return has dropped below the 3% line but it isn't paying much attention to the recession yet, having budgeted some $62 million to expansion for this year. More than half a billion has been spent by the company since World War II to improve its facilities but it still remains debt-free and has only a small preferred capitalization ahead of the common stock. It is granted a good chance of improving its earnings despite the course taken by the general economy.

Non-Leverage Issues Sought

There have been many attempts, particularly when recession talk was rampant, to cull out issues that have only common stock outstanding since the lack of the leverage factor in these cases doesn't call for drastic revaluation of the issues when earnings droop.

* * *

The lists are long and run the gamut from the defensive-type items like Best Foods to Parke Davis in the recently popular drugs, and U. S. Playing Card which was a depression favorite a generation ago. Some are still in a high-yield bracket alien to their inherently defensive nature such as Wrigley's 6% return, the nearly 8% in United Fruit and the better-than 7% of American Viscose and Hammond Organ.

[The views expressed in this article do not necessarily at any time coincide with those of the "Chronicle." They are presented as those of the author only.]

Joins Benjamin Lewis

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill.—John G. Taylor has become connected with Benjamin Lewis & Co., 135 South La Salle Street. He was previously with Ballman & Main.

With First Trust Co.

(Special to THE FINANCIAL CHRONICLE)

LINCOLN, Neb.—Lawrence F. Dendinger has become associated with First Trust Company of Lincoln, 10th & O Streets. Mr. Dendinger was formerly Hastings Manager for Dean Witter & Co. and Central Republic Company.

With Allison Williams

(Special to THE FINANCIAL CHRONICLE)

ST. PAUL, Minn.—Ralph S. Johnston is now with Allison-Williams Company, First National Bank Building.

Fiduciary Responsibility in Pension and Welfare Funds

By HONORABLE PAUL W. WILLIAMS*
United States Attorney, Southern District of New York
Former Justice of the Supreme Court of the State of New York

In no way does Judge Williams correlate need to rectify many abuses that have cropped up with post World War II mushrooming of welfare-pension funds with anti-union action in proposing solution to end extortion, violence and greed perpetuated by a few protected by cloak of respectability afforded by these funds. The U. S. Attorney reviews the magnitude, purposes, and kinds of funds; submits program of disclosure and grant of standing to Government officials in both civil and criminal procedure to overcome absence of effective outside control; and believes Law of Charitable Trusts could be adopted to union treasury funds, and union-management trusts—with special law for sole employer managed funds.

The Government of the United States has a very keen interest in the developments brought about by the tremendous growth in the size and power of labor unions. This is so because the policy of the Federal Government, as enunciated in the preamble of the National Labor Relations Act,[1] has been to encourage the expansion of unions. I think it safe to say, that without the provisions of the Act, the tremendous advances in the standard of living of our workers would never have been possible.

Paul W. Williams

However, having fostered a program by which today many millions of Americans belong to some form of union, the Government has a reponsibility to guard lest this system which has brought so many benefits become an instrument of repression and corruption. The issue which confronts us today is not whether there shall be strong unions, but rather whether there shall be responsible unions. The right of workers to organize and demand collective bargaining is not seriously challenged in this day and age. These rights were not won without an initial struggle and there are many employees whose memories bear scars which will not permit them to take for granted the benefits which their efforts have enabled younger workers to enjoy. Thus, some union leaders have viewed as a challenge to their hard-won gains any attempt by any person, to examine or criticize various aspects of labor unions. The fear on the part of many political leaders that frank expression of their views might bring upon them the unequivocal label of "anti-union", has to some extent permitted labor unions to operate in a political sanctuary. Thus, acts, which if committed outside of the sanctuary would have been condemned, are often regarded merely as inevitable elements arising from the exercise of rights guaranteed by the Constitution of the United States and the laws of the land. This sanctuary has unfortunately attracted some men who have used the cloak of respectability afforded them by a labor union designation for carrying on their acts of extortion, violence and greed.

Various law enforcement agencies, such as the office which I head, have dedicated themselves to the prosecution of those criminals against whom proof can be gathered, and I will speak later on some of the work of my office. I believe that the Senate Committee on Improper Activities in the Labor or Management Field has performed a valuable service to the nation. The hearings have shown that labor's worst enemies are not outside but actually inside the labor organization. Able and enlightened leaders, such as President Meaney of the AFL-CIO, appear to have recognized this threat and I sincerely hope that they will continue to cooperate with those of us who are applying the power of the Government in dealing with corruption wherever found.

I do not mean to suggest that only in unions are there men who betray the trust placed in them. It was the examples of dishonesty and deception shown by some financial advisers and businessmen that stirred the Congress to establish the Securities and Exchange Commission to protect investors. Laws, both State and Federal, which require disclosure and penalize transactions such as insider trading have done much to improve the financial atmosphere of the country by removing the temptations to which the weak of character might succumb.

When wrongdoing takes place in labor matters, labor must realize that we in the Government are attacking the wrongdoing and not the union and that it is not anti-union for us to do so.

The bipartisan work of the Senate Committee, and the fine cooperation which some union leaders have accorded to it, is a real demonstration of the kind of constructive attitude which is needed today.

Welfare and Pension Funds

With these thoughts in mind I want to discuss some of the problems which have arisen as a result of the welfare and pension funds which have mushroomed since World War II, and my thoughts for dealing with them.

It is important that this subject be considered with sympathetic thoughtfulness for it would be unfortunate indeed if some of the scandals which have been exposed in connection with these programs should undermine the spirit of cooperation and initiative which made the creation of these plans possible. The very existence of these welfare and pension plans is evidence of a continuing American search to devise new and effective means of combatting the old economic problems of illness and enforced unemployment that have caused such severe hardship in the past.

Perhaps you will have a greater conception of the magnitude of these programs when you realize that 29,000,000 workers and 46,-000,000 dependents—or nearly one-half of this nation's population—are affected by them, and that in 1954 alone $6,846,200,000 was paid into these programs.[2] It is small wonder, then that the proper management of these programs and the tremendous amount of funds involved in them is becoming more and more the subject of critical and close scrutiny. But before discussing the administration of these plans, it may be helpful to consider briefly the specific purposes which they serve.

Describes Purposes

Welfare plans and pension plans are frequently lumped together, even though they perform different functions. Welfare plans provide for emergencies which may confront an employee at any time during his employment. Pension plans, on the other hand, provide benefits only in the future—and even then only if the employee has been employed for a prerequisite number of years. In the majority of instances welfare plans are implemented by the purchase of group insurance policies, and although the vast majority of pension plans also look to insurance coverage, some of these plans are self-insured or trusteed plans.[3] A very limited number of plans are pay-as-you-go plans in which the employee puts all his reliance upon the good faith and continued solvency of his employer. By the use of these devices various funds are converted into programs which provide innumerable benefits to the American working man and his family.

Let us look now at the funds themselves — their sources and control.

Four Kinds of Funds

There are basically four kinds of plans which are currently utilized today,[4] and they are used in managing both welfare and pension programs. The first is a type of fund created, maintained, administered and supervised solely by the employer, often without any contributions by the employee. The second plan involves a trust established by a single employer and a single union, and managed by trustees appointed by them. Into the trust the employer makes his contributions. The third type of plan differs from the previous one only in that the fund is established by many employers jointly with a union which represents their employees, and once again, trustees are appointed by management and the union. The fourth involves a wholly union-administered plan in which contributions come solely from the employees. The vast majority of plans fall into the first, or employer-supervised group, and the third, or multiple employer - employee group is the next in size. Plans two and three are the types contemplated by Section 302 of the National Labor Relations Act which will be discussed further along.[5]

The tremendous growth of the assets of these plans and their novelty have unfortunately provided an open door for those few opportunists who thrive in an atmosphere of power unchecked by effective outside control. These funds have been compared to a conveyor belt upon which the employer and the union place the respective amounts for which they have committed themselves. There are considerable amounts of money moving along the conveyor belt and there are many persons standing along the sides who are in an advantageous position to remove and divert some of this money before it gets into the hands of the workers, who after all should be the ultimate beneficiaries.

Even where group insurance policies are purchased from reputable companies there still remains the problem of making certain that the money intended to be used for paying premiums to the insurance company actually gets there. For example, the trustees of the social security department of the Laundry Workers International Union in March, 1951, selected an "insurance agent," Louis Saperstein, and passed a resolution providing that all premiums earmarked for the insurance company concerned should be paid to this "insurance agent" for transmittal. Between that date and October, 1953, records revealed that over $900,000 of the $3,000,000 designated for premiums had been diverted by the "insurance agent."[6]

Administrators' fees have been a source of abuse. To be sure administrators should be compensated for the responsibilities assumed, and for their clerical expenses, but there have been all too many instances in which individuals who have performed negligible services and assumed little responsibility have received far more than negligible compensation. The Senate Sub-Committee found an instance in which two union trustees were receiving from the plan in addition to a specified salary, annuity contracts costing $9,000 per year. One of these union trustees was reported to be spending most of his time in Florida and the Committee with considerable under-statement said, "The nature of the 'services' he performed could not be determined."[7]

Furthermore, in the selection of the insurance carrier there is ample room for personal profit since most states require that a commission be paid to an insurance broker or agent.[8] Thus the agent who can steer the pension programs of a particular corporation into the receptive arms of a particular insurance company can, and frequently does, dictate the extent of his compensation. The same "insurance agent" for the Laundry Workers International Union, referred to before, had a life contract with an insurance company to receive a flat 10% renewal commission on all group business produced. From April 1, 1950 to Sept. 30, 1953, it appears that the said broker received commissions of $262,500. The Committee estimated a normal commission to be $18,125 for the three years. This was, of course, in addition to the other funds which never reached the insurance company.[9] I am not suggesting that commissions are wrongful, but the beneficiaries should have a right to expect that the recipient of their business shall be selected on the basis of the services which he will perform on their behalf and

Continued on page 24

*An address by Judge Williams before the University of Chicago Law School Conference on Fiduciary Responsibility in Labor Relations.

1 29 U. S. C. 141.

2 Senate Report No. 1734, 84th Congress, Second Session, p. 11-12. Final report of Sub-Committee on Welfare and Pension Funds submitted to Committee on Labor and Public Welfare, hereinafter referred to as Final Report.

3 Senate Interim Report of Sub-Committee on Welfare and Pension Funds submitted to Committee on Labor and Public Welfare. 84th Congress, First Session, p. 8, hereafter referred to as Interim Report.

4 Final Report, pages 14 and 15.

5 29 U. S. C. 186 (Section 302).

6 Final Report, page 39.

7 Interim Report, page 13.

8 Hearings before the Sub-Committee on Welfare and Pension Funds of the Senate Committee on Labor and Public Works, 84th Congress, 1st Session, Pt. 1, at 83-84 (1955).

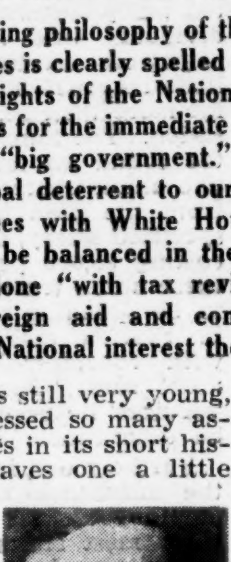
9 Final Report, page 30.

Things of Vital Concern To American Businessmen

By PHILIP M. TALBOTT*
President, Chamber of Commerce of the United States

The underlying philosophy of the Chamber of Commerce of the United States is clearly spelled out by Mr. Talbott in his review of the highlights of the National Chamber's program of work and its plans for the immediate months ahead which, in a word, is to stop "big government." Terms Federal tax structure "the principal deterrent to our dynamic and expanding economy"; agrees with White House calculations that the 1959 budget can be balanced in the area of $74 billion, but adds it can be done "with tax revision"; and generally supports prudent foreign aid and continued trade agreements with National interest the first consideration.

Our country is still very young, but it has witnessed so many astounding changes in its short history, that it leaves one a little breathless to reflect on them.


Philip M. Talbott

On frequent trips to the west, I often think about the Homestead Acts. It is an exciting thing to recall that, within the lifetime of thousands of men and women now living, that old Indian trails have developed into great highways—and that buffaloes once roamed the pasture land that now feeds millions of placid beef cattle.

There we were, back in the 19th Century, with a vast land area which was wide open with opportunities and yet there seemed no way to settle it. So we adopted the Homestead Acts, and even though the government enacted the necessary laws, it was really a free enterprise idea in the sense that government merely set up the rules.

The proposition was not a give-away or a dole or a hand-out, in spite of the fact that the settler did not pay cash for his acreage. No one got something for nothing. The settler was required to "prove up" on his claim by residing there in person a specified number of years, and he was required to plow and seed a specified number of acres, or more, if he so desired.

I refer to the Homestead Acts as a prime example of practical, useful, Federal Government functioning as compared to impractical, useless functions of government which destroy opportunity and downgrade the importance of the individual.

Our Federal Government is engaged in a number of such functions today. Others are proposed by influential groups and individuals, and these is the ever-present danger that we Americans will let our volatile nature overcome our good judgment and go plunging off into wasteful new adventures with tax dollars.

In many respects, of course, it is a wonderful thing to be a volatile people. We are leading the world in the conquest of disease, because we can get as excited about the ravages of some ailment as our early settlers could get excited abut the ravages of some particular Indian tribe. They got excited about scalpings. We get excited about serums

Chamber's Program

The National Chamber of Commerce exists to help prevent excursions into unwise fields by the Federal Government, and to protect and to foster the advance of our tried-and-tested, dynamic, competitive enterprise system.

That is actually the core of the Chamber's entire program of work. It is the broad, national economic issues on which the Chamber spends most of its time.

The National Chamber is a very human institution. Our employees make up bags of Christmas toys for under-privileged children. They have bowling teams and social get-togethers now and then, but for eight hours a day, five days a week—and sometimes more than that—they have their minds firmly geared to the issues of the day which may well determine whether businessmen will continue to manage their own businesses, or whether they are going to be managed by somebody across the river.

It is a driving, persistent, never-ending effort, but it is never monotonous because it seems to be new all over again with each annual session of the Congress. And in between sessions, we prepare for the next.

Last year, during the month of February, the National Chamber took these issues—Federal spending, Federal taxes, government competition with business, abuses of labor's growing power, the continuing attempts by the Federal Government to intervene in our public school problems—and other issues—to the doorsteps of businessmen themselves.

A team of legislative experts visited 12 cities in that single month, traveling by chartered plane. This tour quickly became baptized as the National Aircade. Our people talked to more than 8,000 businessmen. They pinpointed the kind of business legislation Congress was considering, and how it would affect business.

The National Chamber expressed its firm conviction that if the local businessmen let their congressional delegations know where they stood on specific issues, and why—that the Congress would listen.

And Congress did listen. I will not dwell on the specific results of last year for the simple reason that it was last year. It is now history, and we are off to a fresh start with a new session of the Congress which has convened under changed circumstances.

Second National Aircade

Our concern is with today and tomorrow, and not the past. Next month we will launch a second National Aircade. There will once again be 12 cities involved, each of which was chosen because of its strategic geographical location. It was our experience in 1957 that thousands of businessmen from adjacent communities attended the meetings in the central cities, and we anticipate the same thing will happen this year.

The cities selected for 1958 are not, of course, the same ones our people visited in the first Aircade.

Just prior to the Aircade, the National Chamber is calling the members of its various committees into Washington—on January 29 and 30—for a Legislative Conference.

It will be the job of these committees members to shape together recommendations for legislative action for the consideration of our Board of Directors. The Legislative Conference might well be called a Congress of National Chamber committees — and the committees, in effect, are the economic counterparts of the political committees of the Congress of the United States. For example, both the Senate and the House of Representatives have committees on agriculture. So have we. The Senate has a committee on finance. The National Chamber counterpart is our committee on taxation.

Things of vital concern to business are already stirring on Capitol Hill . . . and so are we.

Proposed Federal Budget

The White House has handed down the Administration's budget, and the President has submitted his message on the State of the Union.

In some respects, the message struck a sympathetic note with National Chamber policies. In other respects, it did not. In a third respect, there were issues raised in the message with which Chamber policy will not be formulated until after our forthcoming legislative policy meeting—and, in addition to that, we have yet to digest more special White House messages. One is on labor legislation and the other will spell out the details of the Administration's recommendation for a $1 billion, four-year program in education and research.

Tax Reform

The Chamber's voice has already been heard on the issue of taxes. The chairman of our committee on taxation appeared before the House Ways and Means Committee. He is Mr. Joel Barlow, a member of the firm of Covington and Burling in Washington.

Through Mr. Barlow, the Chamber called for a 1% to 5% cut in lowest individual income tax bracket over the next few years.

We recommend a 60% limit on individual income tax rates with future reduction to 40%.

We suggested a 1% cut in individual income tax rates in the middle income brackets; a reduction in the corporate income-tax rates from 52% to 50% in the first year and further reduction to 40% in future years.

And finally we asked for shorter, more realistic tax write-offs on depreciable assets to encourage investment in new plants and equipment.

It is the carefully studied viewpoint of the National Chamber that our Federal tax structure is the principal deterrent to our dynamic and expanding economy.

The principal thrust and emphasis of our present tax system is away from individual achievement, productivity, initiative and growth, and toward a social leveling, limited individual security and a pre-occupation with tax-free fringe benefits as a substitute for hard-earned income

In his presentation, Mr. Barlow observed that until recently, this kind of criticism of our tax structure was too often discussed with the comment that, "It could not be too bad or we would not be doing so well," and then he added a line which deserves widespread attention. "Fortunately," he said, "some of our pragmatic complacency is going by the board."

We have been drifting along with a tax structure that is a brake on our economy.

The reduction proposed by the National Chamber would add up to about $3 billion a year. I anticipate that in some quarters, there will be horrified hands lifted to the heavens because of this proposal But let me make one thing very clear; we realize that our recommendations might cause a modest short-term loss in revenue, but in the long-term outlook we believe the results would be beneficial to the Treasury.

So much for taxes, but next month iur Aircade will take the issue into every segment of the nation.

Balanced Budget

We agree with White House calculations that the 1959 budget can be balanced in the area of $74 billion but we go one step further in the conviction that it can be balanced with tax revision.

As to the proposed budget itself, I can only say at this point that its probable impact on the economy is not easy to evaluate. It takes a few days, even for our experts at the National Chamber, to thumb through four pounds of figures—and, if you do not think figures can be calculated in pounds, then let me remind you that four pounds is what the printed budget weighs.

But I can say this: our experts are going over it line by line, dollar by dollar and cent by cent, and when we go up to Capitol Hill to express the National Chamber's viewpoint, our presentation will not be a dull, uninteresting and generalized plea for economy. We will come up with specific dollars-and-cents recommendations as to specific programs, supported by specific arguments.

It may be that we will propose some cuts. In fact, I am sure we will, and at the risk of repetition, let me repeat that horrified hands will be raised to heaven.

I know I am not going to be popular in some quarters by pointing out this, but I do not see the wisdom of spending more tax dollars this year than we did last year. I would like to have us spend fewer tax dollars. On the other hand, there are a certain number of ordinarily responsible citizens who seem to feel that it is all to the good for the Federal Government to open its pocket-book a little wider right now because the trend of the economy—at the moment—is different from what it was a year ago. The other day, I ran across a reference to "pump-priming"—a phrase that I do not believe I had heard for about 18 years.

Defense Spending

It is needless to repeat the National Chamber's position on money for defense, for I think you all know it.

If more revenues are actually needed for defense, businessmen will be the first to respond—and, speaking for myself, I go along with our great Senator and my good friend, Harry Byrd, who was quoted this week as saying that, "In view of the continuing need to increase expenditures for advanced weapons, it is absolutely necessary to cut non-essential expenditures in all areas—military, civilian and foreign aid."

It so happened that I dwelt on this point at some length in a recent talk; so I will not dwell on it now, but it seems to me that if we are confronted with new demands for national defense money, we are just like a family with an unexpected demand on its income.

We should call a conference around the fireplace to see how many non-essentials we can cut out in order to meet the essential need of the hour and still stay within our budget.

To put it another way, I want to see more money—not less money—left in the hands of individuals and in the hands of private enterprises for investment and for the further advancement of our economy.

And so then, I was naturally pleased to read in the State-of-the-Union Message that increases for defense purposes should mean reducing expenditures on less-essential military programs and installations, postponing some new civilian programs, transferring some to the states and curtailing or eliminating others.

We now have the Federal Government in a long list of programs once thought to belong exclusively to the folks back home. The restoration of many state and local responsibilities has a top priority in the National Chamber program.

Armed Forces Rivalry

It was also interesting to note that the President's message mentioned harmful rivalries among the armed services. This issue, too, has a top priority rating in the National Chamber's program. We have been pounding away at it for a long time.

As to foreign aid, the message said that "some increase in government funds probably will be required" in efforts to strengthen mutual security.

Foreign Trade and Aid

The Chamber's point of view, at this time, might be stated like this: We support the concept of foreign aid, but we do not accept all the many and various proposals advanced to translate that concept into action. Our ideas on the size and scope of a projected program sometimes differ from those of the Administration. Not only with this, but with previous Administrations.

We are also deeply concerned over the manner in which foreign aid programs are handled.

It is our position that prudent management is essential, and that this management should continually strive to advance the free, private concept in projects designed to aid friendly nations and advance our national security.

I feel that our position is far-seeing and yet conservative. However, it is opposed by two groups. First, by those who believe in ever greater expenditures for ever larger foreign aid programs, regardless of the merits of the projects undertaken; and second, by those who recognize no concept of mutual security at all and claim that foreign aid is a giveaway," and ought to be terminated at once.

To put it in one word, I would say that the word "balance," is the best definition of the Chamber's policy on this issue.

The same thing holds true with respect to reciprocal trade agreements. The White House message called for a five-year extension of the trade agreements act.

The Chamber supports the continuation of a trade agreements program, but insists that safeguards be provided for interested parties to be heard in support of, or in opposition to contemplated negotiations. The national interest must come first.

Labor Legislation

That is also true with respect to labor legislation. We will soon know what the Administration thinks about this issue.

There is not the slightest desire on the part of the National Chamber to destroy unions, destroy their right to bargain, or to injure any individual in the labor movement. But we do feel that compulsory unionism and the secondary boycott are evils that must be stamped out by law for the sake of the national well-being.

We are prepared to go before the Congress to testify for a national right-to-work law if that issue is raised as Senator McClellan recently implied it would be. And in February, during our second National Aircade, we will once again stress the urgent need of bringing unions under the anti-trust laws. American business has been subject to antitrust legislation for about 68 years. All we ask is fair play.

I have hit only a few highlights of the National Chamber's program of work and its plans for the immediate months ahead, but I think you will agree that virtually all of the issues which concern us can be telescoped into one issue—big government. Big government

*An address by Mr. Talbott before the Arlington Chamber of Commerce, Arlington, Va., Jan. 18, 1958.

means big spending, and big spending means high taxes which cripple business expansion and thus the whole national economy.

We are beginning a fateful year, replete with challenge, to be sure, but also replete with promise. Let me invite your most earnest, personal support of the program with which the National Chamber is presently concerned, and let me assure you that we have only the well-being of the nation's economy in mind and only the importance of the individual at heart.

Naley Named by Pac. Coast Stock Exch.

LOS ANGELES, Calif.—Frank E. Naley of Los Angeles, general partner of E. F. Hutton and Company, was named new Chairman of the Governing Board of the Pacific Coast Stock Exchange at its 1958 organization meeting. He succeeds William H. Agnew of San Francisco, partner of Shuman, Agnew & Co.

Frank E. Naley

Mr. Naley is now serving his third term as Chairman of the Governing Board of the Los Angeles Division of the Exchange, and was Vice-Chairman of the coastwide exchange last year.

George W. Davis of San Francisco, partner of Davis, Skaggs & Co., was elected Vice-Chairman. 1958 governors will also include Leo B. Babich and P. J. Shropshire of Los Angeles, and Calvin E. Duncan, Calvin E. Duncan & Co. and Richard P. Gross of San Francisco.

Ex officio board members will be W. G. Paul and Ronald E. Kaehler, presidents respectively of the Los Angeles and San Francisco Divisions of the Pacific Coast Stock Exchange.

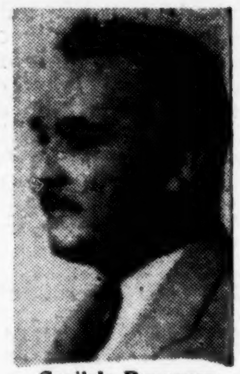
Officers of the Exchange, in addition to those above, will include Miss Ruth Kapelsky of San Francisco, Secretary and Assistant Treasurer, and Thomas P. Phelan of Los Angeles Treasurer and Assistant Secretary.

Mr. Naley, second Chairman of the new Pacific Exchange, organized Jan. 1, 1957, started in the securities business in 1920 as a messenger boy for his present firm. In 1927 he was appointed auditor and admitted to partnership in 1949.

From Washington Ahead of the News

By CARLISLE BARGERON

Quite unsuspectingly, it is quite likely that one of burning issues of the present session of Congress will be that of subscription TV. Last October the Federal Communications Commission after juggling the matter for six or seven years, decided that there should be a trial run in a limited number of markets, by a limited number of stations and under several restrictions in order that it could get information on just how to rule and in order to be able to furnish information to Congress. This trial run is (or was) to start March 1, or the Commission is to receive applications for licenses to operate subscription TV after that date.



Carlisle Bargeron

The opponents, namely the broadcasting chains and certain motion picture groups, have set about to overturn the Commission's action in Congress. Throwing caution to the winds the interests have stirred up a mail campaign that is literally flooding the Capitol. You can imagine, for example, just what one broadcaster can do when he says "if you want to save your present system of free TV, you had better write your Congressman."

As a result of this agitation the House Interstate and Foreign Commerce Committee last week, by a split vote, passed a resolution telling the Commission, in effect, to defer its order until Congress specifically authorizes subscription TV. In the present emotion, with the issue, the subscription TV people charge, being misrepresented, there would be a fat chance to get Congress to do anything of the kind.

Now, it so happens that a sub-committee of the House Interstate and Foreign Commerce Committee, the so-called Moulder Committee, just before having the Commissioners up to explain their order, had them up under charges of evildoing, of making speeches before TV-radio groups and charging honorariums which it has been established they are permitted by law to do. Indeed, the committee members have been expressing their indignation, publicly and privately, over the sub-committee proceedings and the manner in which its general counsel, who has just been fired, has been conducting his investigation.

Chairman Harris of Arkansas, Chairman of the parent committee, who has been trying to keep the sub-committee in respectable lines, denies there is any connection with the members of the FCC being called up one day to defend their action in granting the subscription TV trial run and by the sub-committee the next day to explain their expense accounts, to say whether they had lunch or a drink with this fellow or that.

I believe that Mr. Harris wants no connection and sees none. But the effect on the members of the FCC is inescapable. It is up to them now to say whether they will abide by the committee's resolution and defer their trial period which they, of course, do not have to do. But they are still having to appear before the sub-committee investigating "charges" against them. It strikes me the Commissioners are over a barrel.

Their being over the barrel is emphasized by the fact that the counterpart Senate Committee which made a thorough airing of subscription TV last year has told the Commission to go ahead with their trial run and report its findings to the committee. The heat by the networks and the interested motion picture groups is now on to overturn the Senate committee's attitude.

A frightening thing about it is the power the networks have displayed. On the eve of the hearings before the House committee, the CBS threw one of the most extravagant dinner parties ever thrown in Washington. All members of Congress and other high government officials were invited and most of them went. If this had been the so-called power trust or the gas interests, you would have heard shrieks of bloody murder in Congress. As it was, only a few Scripps-Howard newspapers mentioned it and only cautiously.

Our Reporter on Governments

By JOHN T. CHIPPENDALE, JR.

The intermediate- and longer-term securities which the Treasury offered in the large refunding operation are still at good sized premiums above the offering price in spite of the substantial speculative purchases which were made in these obligations. Nonetheless, the money market was well prepared for this refunding, which was a well worked out venture. By converting short-term maturities into intermediate- and long-term bonds, in the amount of $5,552 millions, the floating supply of short-term securities was decreased. This puts the Treasury in a good position to use bank maturity issues in financing its new money raising operation. Latter should not be too far away because of the attrition of $1,463 million in the refunding.

Martin's Views on Credit Ease

The statements of Federal Reserve Board Chairman Martin, before the Joint Congressional Economic Committee last week, appears to have had a not unfavorable effect on the money market. Although Mr. Martin was not too definite in his pronouncements, it seems as though the interpretations of what he said appear to make for easier money conditions, according to many followers of the money market. **[See cover page for text of Mr. Martin's statement.—Ed.]**

The successful refunding by the Treasury of $16,785 millions of short securities into $1,723 million of the 3½s of 1990, $3,829 million of the 3s of 1964 and $9,770 million of the 2½% certificates, has cleared the way for a new money raising operation by the government, which should be coming along in the not too distant future. To be sure, there will have to be an increase in the debt limit for a large scale operation, but it is expected this will be approved shortly. The wholesale refunding operation of the Treasury resulted in the extension of maturities which is a favorable development. Also, it is evident that there is an appetite around for intermediate- and long-term government obligations which shows that more money is available for the purchase of such securities because of the defensive position of the economy.

Large Speculative Interest in New Issues

There is no question but that the large speculative interest in the refunding 3½s due 1990, and to a lesser extent in the 3s of 1964, will have to be digested before these obligations will be on solid ground. However, with time and continued ease in the money market the refunding bonds should work out to levels which will be favorable to those who made commitments in these obligations for investment purposes.

Further Cut in Interest Rates Looked for

The Treasury in this refunding operation, in the opinion of some money market specialists, not only prepared the money market well for the new money financing, but also reduced the supply of short-term issues, and this could be part of a plan which might eventually result in further reduction in the discount rate, and other loaning rates, such as the prime bank rate. The downward trend in bankers' acceptances and commercial paper rates, and the existing return on Treasury bills is interpreted in some quarters to mean that a 2¾% discount rate is too high and out of line with the money market as it is presently constituted.

The Next New Treasury Borrowing

The next thing to face the government market as the refunding issues are being moved into strong hands, will be the offering of securities by the Treasury for new money. There appears to be definite beliefs around that the government will be in the market soon for something like at least $1½ billion of new money to take care of those who wanted cash in the refunding. How this will be obtained is open to considerable discussion even though there seems to be an area of some agreement that a long-term obligation could be part of it, but only in token form.

The money which will be raised by the Treasury will be tailored to appeal to the commercial banks, because these are the institutions that will supply the bulk of the new funds which will be needed by the Treasury. Also, this is the most effective way in which the economy can be reflated since government securities that are sold by the Treasury to the commercial banks create new deposits and this is new purchasing power.

Cut in Bank Reserve Requirements Seen Near

However, the deposit banks are not yet in a position to purchase sizable amounts of government securities in spite of the easier tone in the money market. This means that there will have to be help from the monetary authorities and most likely this will come in the form of lower reserve requirements. Accordingly, it is expected by most money market specialists that there will be a decrease in reserve requirements of the commercial banks prior to the Treasury's entrance into the market for large new money raising purposes.

Even in spite of the impending financing by the Treasury, and the time that will be needed to digest certain of the refunding issues, the tone of the money market continues to be favorable. More money is available for the purchase of these securities because of the decline in the loan demand. Also, it is believed that the powers that be will take measures which will add to the money supply in the near future.

Howard, Weil Firm Admits F. M. Collins

NEW ORLEANS, La.—Forres McGraw Collins, effective February 1st, has been admitted as a general partner into the New Orleans investment securities firm of Howard, Weil, Labouisse, Friedrichs and Company, 222 Carondelet Sreet, Members of the Midwest Stock Exchange.

The announcement was made by G. Shelby Friedrichs, a partner in the firm, who said the naming of Collins brings to eight the number of partners in the company. Others are Alvin H. Howard, John P. Labouisse, Walter H. Weil, Jr., Paul T. Westervelt, Thomas C. Holmes, Jr., Frederick H. Collins, Jr., and Friedrichs.

Mr. Collins has been associated with the firm since 1954 as a sales representative. He formerly served as Vice-President and Director of Longino & Collins, Inc. He is a past-President of the Tulane Alumni "T" Club.

The company was organized in 1946 with three partners and now employs 40 persons, according to Mr. Friedrichs.

First Boston-Dean Witter Group Offers So. Calif. Ed. Preferred

The First Boston Corp. and Dean Witter & Co., as joint managers, headed an investment banking group which offered publicly on Feb. 11 an issue of 1,000,000 shares of Southern California Edison Co. cumulative preferred stock, 4.78% series, $25 par value, at $25.55 per share to yield 4.68%.

The net proceeds of the sale of the new preferred stock will become treasury funds to be used in the company's continuing construction program.

The new preferred stock will be redeemable at the option of the company at prices ranging from $27.30 per share if redeemed on or before Feb. 28, 1963 to $25.80 per share if redeemed after Feb. 28, 1973.

Southern California Edison is a public utility engaged in the business of generating, purchasing, transmitting and selling electric energy in portions of central and southern California, excluding the City of Los Angeles and certain other cities. The number of customers served by the company increased from 1,083,684 on Dec. 31, 1952, to 1,456,526 on Dec. 31, 1957.

Total operating revenues of the company for 1957 amounted to $217,135,000 and net income to $31,986,000.

McElnea Jr., Director

William H. McElnea, Jr., a partner in Van Alstyne Noel & Co., New York, has been elected to the Board of Directors of Atlas Sewing Centers, Inc. to fill an existing vacancy.

He also is a Vice-President and Director of Dorion Investments Co.; Director and member of the Executive Committee of Waterman Pen Co., Inc.; and Director of L. E. Waterman Pen Co., Ltd., Montrose Chemical Co., New Idria Mining and Chemical Co., and Kin-Ark Oil Co.

John E. Arrowsmith

John E. Arrowsmith, partner in Van Alstyne, Noel & Co., New York City, passed away suddenly February 7th at the age of 59.

Hooker Fay Partner

SAN FRANCISCO, Calif.—Hooker & Fay, 221 Montgomery Street, members of the New York and Pacific Coast Stock Exchanges, on March 1 will admit William C. Troyer to limited partnership.

To Be Brand Grumet Seigel

On March 1 the firm name of Brand, Grumet & Co., 1257 Broadway, New York City, members of the New York Stock Exchange, will be changed to Brand, Grumet & Seigel. Stanley Seigel will become a partner in the firm.

The Future of the Bank of England

By PAUL EINZIG

The future course of the Bank of England and possible changes a labor government, if elected, might impose is surveyed by Dr. Einzig in commenting on the Report of the Tribunal on the recent Bank Rate leak and in comparing part-time directorship in the Bank with similar set up in American Federal Reserve member banks. The columnist takes note of the large volume of highly confidential information revealed during the inquiry and expects that this will act as an effective deterrent in the future. Points out, also, that the Treasury possesses little used, but nevertheless, dominant power over the British central bank.

LONDON, Eng.—At the end of a two days' debate in the House of Commons on the Report of the Tribunal on the Bank Rate leak the Socialist amendment, proposing that in future part-time directors of the Bank of England should have no say in respect of Bank Rate changes, was defeated. During the course of the debate the Chancellor of the Exchequer, Mr. Amory, announced that this subject would be considered by the Radcliffe Committee which was set up last year to investigate matters relating to the working of the monetary system. It is assumed that the Report of that Committee will become available later this year. Although it would be idle to speculate about its probable findings, judging by its composition there is almost certain to be a majority report proposing that the Bank of England should be left unchanged and a minority report by the Trade Union representative on the Committee suggesting changes on the lines of the Socialist amendment.

Paul Einzig

It now seems that the Government is decidedly in favor of retaining the existing system under which the formal decision on the Bank Rate rests with the Court of Directors even though the Chancellor of the Exchequer has the power to issue directions ordering the Bank to change the Bank Rate. It looked at one time during the proceedings of the Tribunal as if the Government were inclined to sacrifice the nominal independence of the Bank for the sake of political expediency. Such an impression was conveyed by the attitude of the Attorney General who subjected the Governor and other directors of the Bank to very severe cross-examination. Since, however, the Tribunal's Report stated that there was no improper disclosure of information on the Bank Rate change on Sept. 19, and all those who had been suspected of improper conduct had been honorably discharged, there is obviously no need for any such acts of appeasement. In any case, it is doubtful whether the Government ever intended to throw the Court of Directors of the Bank to the wolves.

Compares With Federal Reserve Board

Those in favor of excluding part-time directors of the Bank from Bank Rate decisions pointed out that the Federal Reserve Board consists entirely of full-time members. Government spokesmen on the other hand, replied that the Federal Reserve Board does not make bank rate changes which are decided upon by the individual Federal Reserve Banks, and their Boards consists entirely of part-time Members who have various other interests, just like the Bank of England's part-time directors.

It seems safe to assume that so long as the Conservative Government remains in office there will be no drastic changes affecting the composition, functions and powers of the Court of Directors. On the other hand, since the advent of a Socialist Government after the next General Election is possible, and appears to be even probable, it may not be without interest to consider the future of the Bank after such a change of Government.

There is no love lost between the banking community of London and the Labor Party. During the Labor Government from 1945 to 1951 relationship was frigid but correct. The Government did not display an unduly hostile attitude towards banks in general and the Bank of England in particular beyond its general hostility towards capitalists. When the Bank of England was nationalzed in 1946 the Chancellor of the Exchequer reserved the right to appoint directors, so that it would have been possible to pack the Court with Socialists or their sympathizers. In fact very few Socialist directors were appointed by Labor Chancellors of the Exchequer, and throughout the period of the Labor Government the non-Socialists or anti-Socialists constituted the majority. It remains to be seen whether this policy will be adopted superannuated Trade Union leaders and a few Socialist economists superanuated Trade Union leaders and a few Socialist economists awaiting their rewards for services rendered, and, in addition to conferring on them life peerages in the reformed House of Lords they are likely to be rewarded with seats on the Court of Directors of the Bank.

If the Court is thus packed by Government nominees there will be no real need, even from a Socialist point of view, to curtail its functions. It seems probable, however, that when deciding on the fate of the Bank of England, the Labor Government will envisage the possibility of a return of a Conservative Government which would replace the Socialist nominees by directors recruited from the business community. For this reason a Labor Government is not likely to miss its opportunity for making far-reaching changes. Possibly it may be satisfied by taking the Bank Rate decision out of the hands of the part-time directors. It seems more likely, however, that the solution will be that there should be no part-time directors appointed in the future. Even that change could be reversed by a Conservative Government, but this would be more difficult than merely replacing Socialist nominees on the Court of Directors.

Treasury's Powers

All this controversy concerns the shadow rather than the substance. For even before the nationalization of the Bank, the Treasury was well in a position to dictate Bank Rate changes. It could control discount market trends by means of open market operations and could easily force the hand of a reluctant Court of Directors by causing a rise in the market rates of discount. Since the Bank of England Act of 1946 the Chancellor of the Exchequer has legal powers to order the Governor of the Bank to change the Bank Rate. These powers have not been exercised but could be exercised.

Had the Report of the Bank Rate Tribunal been less emphatic in rejecting charges of improper disclosure or utilization of information on the recent Bank Rate change, there would be a case for changes which would make such action impossible. Since, however, the Tribunal delivered the verdict of "not guilty" there is no cause for making changes on the ground of safeguarding the secrecy of Bank Rate changes. In any case, even if those with inside knowledge had been tempted to use such knowledge for their own benefit or of that of their friends, the terrifying experience of the Bank Rate enquiry, which dragged out a large volume of highly confidential information from those concerned, is likely to act as a effective deterrent in the future.

New York Inv. Assn. Annual Spring Outing

The Investment Association of New York will hold its 1958 outing at the Sleepy Hollow Country Club, Scarborough-on-the-Hudson, Scarborough, New York on Friday, June 27th. There will be a golf tourney, tennis matches, IANY Bar Exchange, dinner and other activities, for members only.

The Executive Board, consisting of William G. Gallagher, Kidder, Peabody & Co., Worthington Mayo-Smith, Merrill Lynch, Pierce, Fenner & Beane, J. William Middendorf, Wood, Struthers & Co., Richard C. Egbert, Estabrook & Co., John G. Peterkin, Laurence M. Marks & Co., James F. Burns, Blyth & Co., Incorporated, Lewis J. Kaufman, Goldman, Sachs & Co., John F. Bryan, Reynolds & Co., and David C. Clark, Clark, Dodge & Co., are the advisory council for the entertainment committee.

Members of the Entertainment Committee are Mr. Peterkin, Chairman, Walter Michael Giblin, Jr., de Coppet & Doremus, Andrew F. Peck, Clark, Dodge & Co., W. H. Gregory III, Gregory & Sons, Charles G. Mott, Baker, Weeks & Co., and Vincent C. Banker, R. W. Pressprich & Co. W. M. Giblin, Jr. and W. H. Gregory III are co-managers of the IANY Bar Exchage. Charles Mott is Chairman of the Tennis Committee and Andrew Peck and Vincent Banker are co-Chairman of the Golf Committee.

Five hundred members of the group are expected to attend the outing.

Halsey, Stuart Group Offers Equip. Tr. Ctfs.

Halsey, Stuart & Co. Inc. and associates on Feb. 11 offered $7,035,000 of Louisville & Nashville RR. 3½% equipment trust certificates, series R, maturing annually March 1, 1959 to 1973, inclusive.

The certificates are scaled to yield from 3% to 3.70%, according to maturity. Issuance and sale of the certificates are subject to authorization of the Interstate Commerce Commission.

The issue is to be secured by 800 gondola cars and 100 covered hopper cars, estimated to cost not less than $8,793,750.

Associates in the offering are Dick & Merle-Smith; R. W. Pressprich & Co.; Baxter & Co.; Freeman & Co.; Ira Haupt & Co.; McMaster Hutchinson & Co.; Wm. E. Pollock & Co., Inc.; and Shearson, Hammill & Co.

Berg With Johnson, Geisler

(Special to THE FINANCIAL CHRONICLE)

POMPANO BEACH, Fla.—Karl G. Berg has become associated with Johnson and Geisler, Atlantic Boulevard. Mr. Berg was formerly associated with George A. Searight in New York City.

NEWS ABOUT BANKS AND BANKERS

CONSOLIDATIONS
NEW BRANCHES
NEW OFFICERS, ETC.
REVISED CAPITALIZATIONS

The appointment of Frederick W. Oswald as a Vice-President of **Manufacturers Trust Company, New York,** is announced by Horace C. Flanigan, Chairman of the Board.

Mr. Oswald joined Manufacturers Trust Company in 1937. He was appointed an Assistant Secretary in 1953 and an Assistant Vice-President in 1955.

At present, Mr. Oswald is assigned as officer in charge of the bank's personnel department, main office, 55 Broad Street.

The appointment of Richard W. Olson as an Assistant Vice-President was also announced by Mr. Flanigan.

Mr. Olson joined Manufacturers Trust Company in 1823. He was appointed an Assistant Secretary in 1945.

At present, Mr. Olson is assigned to the bank's Union Square office, 221 Fourth Avenue.

* * *

Promotions of the heads of its three European branches to Vice-Presidencies were announced by **Guaranty Trust Company of New York.**

The new Vice-Presidents, A. Talbot Peterson of London, Maurice G. St. Germain of Paris, and Elie Delville of Brussels, formerly had served as Managers of their respective branches.

Guaranty also announced the advancement to Managers of Reginald T. W. Cleave, London, and Robert H. Blake, Paris. They were formerly Assistant Managers of the offices.

A sixth overseas appointment was that of Cecil H. Loven as Assistant Secretary in the London Office.

* * *

City Bank Farmers Trust Company, New York, announces the appointment of Allen C. Duncan, Valfred J. Gardner and Arthur Hall as Trust Officers.

Bernard J. Ginnity has been appointed an Assistant Secretary.

* * *

Bankers Trust Company announced Feb. 5 that renovation work on its Broadway and 24th Street Office ha sbeen completed. The branch has been undergoing modernization for more than a year.

The office, located just opposite Madison Square, is under the direction of Vice-President Benjamin P. Schoenfein.

* * *

Alfred R. Turner has been appointed Assistant Comptroller of **J. P. Morgan & Co. Incorporated, New York,** it was announced on Feb. 6 by Henry C. Alexander, Chairman. Mr. Turner, with the Morgan Bank since 1924, has been an Assistant Treasurer since 1953.

* * *

Bank of North America, New York, N. Y., was given approval by the New York State Banking Department to increase its capital stock from $604,995, consisting of 120,999 shares of the par value of $5 each, to $705,830, consisting of 141,166 shares of the same par value.

* * *

The Long Island Trust Company, Garden City, N. Y. will open its sixth banking office in Nassau County on Feb. 15 in the County Line Shopping Center, South Farmingdale, it was announced by Frederick Hainfeld, Jr., company President.

Mr. Hainfeld stated that William F. Erdmann, an Assistant Vice-President of the company, has been named Manager of the new office and that Gerald L. Soergel will be assistant to the Manager.

* * *

First National Bank of Ithaca, New York, changed its title to **First National Bank and Trust Company of Ithaca, New York,** effective Feb. 1.

* * *

The common capital stock of the **First Westchester National Bank of New Rochelle, N. Y.,** was increased from $1,483,125 to $1,600,000 by a stock dividend. Effective Jan. 28. (Number of shares outstanding—160,000 shares, par value $10.)

* * *

By a stock dividend, the common capital stock of the **Industrial National Bank of Providence, R. I.** was increased from $11,000,000 to $11,5000,000 effective Jan. 28. (Number of shares outstanding — 1,150,000 shares, par value $10.)

* * *

The Camden Trust Co., Camden, N. J., elected W. Robert Davis President to succeed Robert J. Kiesling, who was elected Chairman of the Board and Chief Executive Officer.

* * *

Four officer promotions of **Girard Trust Corn Exchange Bank, Philadelphia, Pa.,** are announced by Geoffrey S. Smith, President.

John P. Adams, Orville H. Beadle and Robert F. McCammon have been appointed Senior Vice-Presidents and will be in charge, respectively, of personnel, internal banking administration, and operations.

Stephen S. Gardner has been promoted to Vice-President and assigned to branch administration.

Mr. Adams is a veteran of 30 years service at Girard Corn Exchange having started as an office boy in the Trust Department. He has specialized in personnel work since 1942.

Mr. Beadle has been a member of the staff of the bank since 1932.

Mr. McCammon joined the bank's staff in 1944, serving as Assistant Auditor and Auditor before entering operations work. He is Chairman of the bank's Operations Committee.

Mr. Gardner has been with the bank since 1949.

* * *

Robert W. Off has been appointed Assistant Manager of the Farmers Bank Office of **Mellon National Bank and Trust Company, Pittsburgh, Pa.,** Frank R. Denton, Vice-Chairman of the bank announced.

* * *

The National Bank of Oxford, Pa. increased its common capital stock from $125,000 to $150,000 by a stock dividend effective Jan. 31. (Number of shares outstanding—1,500 shares, par value $100.)

* * *

By a stock dividend **The Xenia National Bank, Xenia, Ohio,** increased its common capital stock from $100,000 to $200,000 effective Jan. 29. (Number of shares outstanding—8,000 shares, par value $25.)

* * *

The Old National Bank in Evansville, Ind., increased its common capital stock from $1,750,000 to $2,000,000 by a stock dividend, effective Jan. 28. (Number of shares outstanding — 200,000 shares, par value $10.)

* * *

By a stock dividend, the common capital stock of **The Clay County National Bank of Spencer, Iowa,** was increased from $100,000 to $200,000 effective Jan. 29.

(Number of shares outstanding—2,000 shares, par value $100.)

* * *

Directors of **City National Bank & Trust Company, Kansas City, Mo.,** on Feb. 4 elected Lester Milgram to their board. They also created a new advisory Board of Directors to which they elected William N. Deramus III, President; William D. Grant, Richard C. Green, and Robert Smock Thompson.

George C. Kopp, honorary Vice-Chairman, also became a member of the advisory Board of Directors.

* * *

By a stock dividend **The Hamilton National Bank of Knoxville, Tenn.,** increased its common capital stock from $2,000,000 to $2,500,000 effective Jan. 29. Number of shares outstanding—25,000 shares, par value $100.)

* * *

Snyder National Bank, Snyder, Tex., increased its common capital stock from $200,000 to $300,000 by a stock dividend effective Jan. 29. (Number of shares otustanding—15,000 shares, par value $20.)

* * *

The common capital stock of **The Citizens National Bank in Abilene, Tex.,** was increased from $1,000,000 to $1,100,000 by a stock dividend ad from $1,100,000 to $1,250,000 by the sale of new stock effective Jan. 29. (Number of shares outstanding—62,500 shares, par value $20.)

* * *

The common capital stock of the **Albuquerque National Bank, Albuquerque, N. M.,** was increased from $1,500,000 to $2,100,000 by a stock dividend effective Jan. 29. (Number of shares outstanding—105,000 shares, par value $20.)

* * *

The Valley National Bank of Phoenix, Ariz. increased its common capital stock from $6,950,000 to $7,645,000 by a stock dividend effective Jan. 28. (Number of shares outstanding — 1,529,000 shares, par value $5.)

* * *

The common capital stock of **The Great Falls National Bank, Great Falls, Mont.,** was increased from $500,000 to $700,000 by a stock dividend effective Jan. 31. (Number of shares outstanding—7,000 shares, par value $100.)

* * *

Union Bank & Trust Co. of Los Angeles, Los Angeles, Calif., has changed its title to **Union Bank.**

* * *

M. P. Illitch, Chairman of the Board, **Southwest Bank, Inglewood, Calif.,** was elected President of the **Independent Community Banks** at the first annual meeting of the cooperative group of 25 independently owned and managed Southern California banks held Jan. 30. Total resources of member banks, it was reported, is now in excess of $245,000,000.

Aubrey Austin, Jr., President, **Santa Manica Bank, California,** was elected First Vice-President; H. P. Madson, President, **Pico Citizens Bank, California,** Second Vice-President; John Greenberg, President, **First State Bank, Lynwood, Calif.,** Treasurer; and R. C. Yeary, President, **Pacific States Bank, Hawthorne, Calif.,** Secretary.

M. Vilas Hubbard, President, **Citizens Commercial Trust & Savings Bank, Pasadena, Calif.,** was named Chairman of the I.C.B.'s executive committee; H. C. Dolde, Chairman, **Bank of Whittier, Calif.,** Vice-Chairman; and G. A. Anderson, President, **First State Bank, Rosemead, Calif.;** G. C. Parker, President, **Buttonwillow National Bank, California;** H. A. Renfro, Executive Vice-President, **Bank of Encino, Calif.;** C. E. Schroeder, Executive Vice-President, **First National Bank, Orange, Calif.,** committee members.

Allan S. Barr, President, **First National Bank of Upland, Calif.;** Franklin L. Martin, President, **Home Bank, Compton, Calif.;** and Ray J. Moore, Vice-President, **Bank of Belmont Shore, Calif.,** were new appointees to the group's council. Reappointed to the council were: Frank Lettow, President, **South Bay Beach Manhattan Beach, Calif.;** D. P. Loomis, President, **San Fernando Valley Commercial & Savings Bank, Pacoima, Calif.;** O. L. Marshall, Executive Vice-President, **First National Bank, La Verne, Calif.;** William A. Munnell, President, **Garfield Bank, Los Angeles, Calif.;** C. R. Pearman, President, **Community Bank Huntington Park, Calif.;** E. H. Phillep, President, **First National Bank, Azusa, Calif.;** and **Azusa Valley Savings Bank;** Maurice Ratner, President, **Sun Valley National Bank, California;** Harry Seaman, Executive Vice-President, **Bank of Northridge;** and Stanley Stalford, Chairman, **Fidelity Bank, Los Angeles.**

* * *

Linus E. Southwick, President, **Glendale National Bank, Glendale, Calif.,** has announced membership of the bank in the Independent Community Banks, a cooperative group of 25 locally owned and controlled Southern California banks.

* * *

The **Bank of Montreal, Montreal, Canada,** has opened a full-time banking office to serve Frobisher Airport on Baffin Island, in the North West Territory, a transportation terminal some 200 miles south of the Artic Circle. This is the 722nd Canadian branch of the bank, which now has assets in excess of $3,000,000,000. There are also 12 branches outside the country.

Hugh J. Parmiter has been appointed Manager of the new branech.

* * *

The Toronto-Dominion Bank, Toronto, Canada, announces the appointment of John Denison, as an Assistant General Manager at Head Office, Toronto. Mr. Denison, who was formerly Superintendent of the Foreign Department will continue in charge of this phase of the Bank's international operations.

* * *

John T. Bryden, C. Bruce Hill and J. H. Bowbray Jones were elected directors of the **Bank of Canada, Ottawa.**

$50 Million Bonds of N. Y. State Thruway Authority Marketed

The Chase Manhattan Bank is manager of an underwriting syndicate which was awarded on Feb. 6 an issue of $50,000,000 New York State Thruway Authority Bonds (Sixth Issue), due Jan. 1, 1985 to July 1, 1995, inclusive.

The group bid 100.085 for a combination of 3s, 3.05s, 3.15s, 3.20s, and 3.10s, resulting in a net interest cost of 3.12365% to the Authority.

Public reoffering of the bonds was made at prices scaled from a yield of 2.85% out to a dollar price of par for the last four maturities. Callable beginning in 1965, the bonds are unconditionally guaranteed as to principal and interest by the State of New York. In the opinion of counsel, interest on the bonds is exempt under existing statutes and decisions, from Federal income and New York State income taxes.

With Rodman & Renshaw

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill.—Ralph R. Obenchain has become connected with Rodman & Renshaw, 209 South La Salle Street, members of the New York and Midwest Stock Exchanges. Mr. Obenchain was previously with McCormick & Co. and Baxter & Company.

Bank and Insurance Stocks

By ARTHUR B. WALLACE

This Week — Insurance Stocks

Federal Insurance Company

Back of the incorporation of Federal Insurance Company in 1901 were the years of the Chubb insurance business which started in 1882, as Chubb & Son, and which today guides not only Federal but Vigilant Insurance Co. and the United States branches of several English units. Capital and surplus at the start of business were $500,000 each, with the $100 par value shares being sold at $120. By stock dividends capital was increased to $4,000,000 in 1936. A stock split had changed the par in 1929 to $10 a share. In 1953 Federal absorbed United States Guarantee Co., a casualty writer; and in the same year the sale of new stock at $23 a share (par now $4.00) brought the capital up to $10,800,000.

In June, 1957, Federal filed for an exchange of 400,000 shares of its capital stock for 100,000 shares of Colonial Life Insurance Co., and the consummation of this merger brings Federal into the life insurance field, which was the sole line of insurance missing from its operations in recent years.

Business is conducted on a nationwide basis. Fire and allied lines provided 22% of volume of business; automobile lines a total of 36%; marine and aviation 22%; bonding and miscellaneous casualty about 20%.

Large common stock holdings include 13,450 First National City Bank; 14,000 Caterpillar Tractor; 18,600 Continental Oil; 23,000 Dow Chemical; 13,000 duPont; 24,700 General Electric; 8,000 Humble Oil; 4,000 International Business Machines; 18,700 Johns Manville; 44,900 Standard of New Jersey.

Resources and Liabilities — June 30, 1957

RESOURCES—		LIABILITIES—		
Bonds and Stocks	$151,982,335	Losses & Claims		$26,261,302
Cash	10,545,203	Unearned Premiums		44,139,233
Premiums Receivable	12,404,002	Dividend Payable		540,000
Reinsurance Recovery	313,493	Reserve, Taxes, Exp., etc.		2,481,945
Other Assets	3,461,175	Reinsurance Funds		3,918,579
		Non-Admitted Reinsurance		5,703,506
	$178,704,208	Capital	$10,806,000	
		Surplus	43,548,539	
Non-Admitted Assets	6,613,477	Unreal. Inv. Appr.	34,697,627	89,046,166
	$172,090,731			$172,090,731

As of the end of 1956, the latest date for a full year's report, a break-down of assets into principal categories followed:

	%		%
Cash	6.4	Preferred Stocks	3.7
United States Government Obligations	36.7	Common Stocks	33.6
		Miscellaneous Assets	4.6
Other Bonds	17.4	Market Adjustment	—2.4

Federal has had an outstanding, indeed enviable, underwriting record. In 1956 when a large number of multiple-line carriers showed loss margins, Federal reported a comfortable profit margin. And for the ten years ended with Dec. 31, 1956, the company's profit margin averaged out at the exceptionally high figure of 12.5%. In the same decade the average expense ratio stood at 37.1%, a figure bettered by but a few of the leading multiple-line writers.

Ten-Year Statistical Record — Per Share*

	Liq. Value	Adj. Und. Profit	Invest. Income	Fed. Taxes	Net Earn.	Dividend	—Price Range— High	Low
1947	$17.55	$1.08	$0.57	$0.32	$1.33	$0.39	13¼	11½
1948	18.55	1.68	0.63	0.63	1.68	0.43	14⅞	11⅞
1949	21.21	2.25	0.76	0.90	2.11	0.46	16⅞	13¾
1950	24.03	1.85	0.89	0.59	2.15	0.54	19⅛	15¼
1951	26.07	1.18	0.92	0.25	1.85	0.55	22¼	18¾
1952	28.19	2.10	1.03	1.03	2.10	0.59	25	21⅞
1953	29.47	2.17	1.15	0.31	3.01	0.65	32	23¼
1954	35.46	2.69	1.29	0.44	3.54	0.70	36	29¾
1955	38.63	2.18	1.39	0.33	3.24	0.80	41¾	34½
1956	38.75	0.65	1.55	0.24	1.96	0.90	38⅞	31¾

*Adjusted for 4-for-1 stock exchange in 1953.

In the 20 years ended with 1956 the company showed a gain in the value of its assets of $26,472,000, or $9.80 a share. This $9.80 was 88% of the invested assets figure (per share) at the start of that period in 1937. Further, in the decade ended with 1956 the gain to the shareholder (consisting of the increase in his equity plus cash dividends in the period) was $27.68, or 215% of the Dec. 31, 1946 price of the stock.

Federal's risks are well distributed geographically, and its underwriting results have consistently been better than those of the industry. Sizable rate increases are expected to be more and more effective in 1958. With the move for fire-casualty companies to go into the life field, and vice versa, Federal has wisely chosen to acquire a well established unit in the life field rather than set up a new department with the long and costly building process. Federal's own agency system can be enlisted in the newly acquired life business.

Dividend payments have been uninterrupted for about 56 years. The present rate is 90 cents annually, including a 10-cent extra.

The shares rank among the top grades in the insurance business.

Joins J. N. Russell

(Special to THE FINANCIAL CHRONICLE)

CLEVELAND, Ohio—Walter L. Schliecker has become affiliated with J. N. Russell & Co., Inc., Union Commerce Building, members of the New York and Midwest Stock Exchanges. He was formerly with Baxter & Company.

With Bacon, Whipple

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill.—Gordon T. Duffy has become associated with Bacon, Whipple & Co., 135 South La Salle Street, members of the New York and Midwest Stock Exchanges. Mr. Duffy was formerly with Lee Higginson Corporation.

Hamilton Securities Formed in Dallas

DALLAS, Tex.—Hamilton Securities Company Incorporated has been formed with offices in the Kirby Building as successors to Burt, Hamilton & Co., Inc. The firm acts as underwriters, distributors and dealers in Texas municipal, corporate, public utility and industrial issues, bank and insurance stocks.

John M. Hamilton

Officers are John M. Hamilton, President; William S. Hamilton and A. K. Choate, Vice-Presidents; and Nola Keen Prentice, Secretary and Treasurer.

Peter Fund, Mgr. for W. C. Langley & Co.

W. C. Langley & Co., 115 Broadway, New York City, members of the New York Stock Exchange, announced that Werner B. Peter is now associated with the firm as manager of the Mutual Funds Department and that Thomas J. Callery has joined their staff as a registered representative.

Belding, Inglis Dirs. Of Blyth & Co., Inc.

Blyth & Co., Inc., nationwide investment banking and securities underwriting firm, has announced the elections of two new members of the Board of Directors: Hiram H. Belding, Jr., and John Inglis.

Mr. Belding is resident Vice-President in Blyth's Chicago office and is in charge of the company's several midwestern offices.

Mr. Inglis is a Vice-President in the San Francisco office. He is head of the firm's municipal division there.

Weymouth Director

George T. Weymouth, Board Chairman of Laird & Company, securities dealers and underwriters of Wilmington, Del., has been elected a director of Controls Company of America, it was announced by Roy W. Johnson, Controls Company Chairman. Mr. Weymouth's election increases Controls' Board to eight members.

Continued from first page

As We See It

The New Deal promptly added about another $600,000,000 in 1933.

By the end of 1933 the excess reserves of member banks, which had historically been very small, had grown to something more than three-quarters of a billion. But member bank loans continued to decline, the only practical result being a further increase in member bank holdings of governments. The New Deal managers then thought up a new attack—an increase in the price of gold, or otherwise expressed a devaluation of the dollar. Within a year the gold stock of the country more than doubled, and the excess reserves of member banks had risen proportionately. Member bank loans, however, continued to decline, and government holdings to rise. Gold was soon drawn out of the ground all over the world. Our holdings by the time war broke out in 1939 were well over four times what they were in 1929 or 1933, and member bank excess reserves stood at around five billion, but their loans were still below those at the end of 1932. Only holdings of governments grew, reaching three or four times their amount at the end of 1929. Meantime, government outlays had increased by nearly 75% to a level never before heard of in peace time.

Not Much Accomplished

Now what was accomplished during this half dozen years of continuous effort in the way of restoring production, employment, prices and wages? Let us take a look at the record. First, prices. The general price level (as determined by the Department of Commerce) had in 1929 stood at 70% of 1927. By 1933 it had got down to some 54% of the earlier figure. It was not quite 58% by 1939. National income was slightly under $88 billion in 1929; in 1939 it was less than $73 billion—a sizable increase in the six years since 1933 when it was only a little more than $40 billion, but still a long, long way from satisfactory. Employees (for the most part wage earners) managed to earn an income of some $48 billion in 1939; they had over $51 billion in 1929. Employment in 1939 averaged about the equivalent of 36 million full time men; a figure which was roughly the same as in 1929. Of course, there were considerably more workers around looking for work after 10 years of population growth. It is needless to labor the point. The New Deal with all of its "bold" measures definitely failed to bring the big depression to an end or even to create conditions of employment which by any stretch of the imagination could be called satisfactory.

Now what is it that the economic managers would have the Administration today do to end the recession that has set in? Well, there are those who would have the Reserve System keep reducing its discount rates, and go into the open market for large amounts of government obligations. Such procedure would hardly be new. The discount rate was repeatedly reduced in the 'Thirties, finally getting down to 1% and staying there for a long time. Governments were bought liberally, immense quantities of gold were drawn into the country, and member bank excess reserves mounted—but the depression continued. Others would have government increase expenditures lavishly. That, too, was given a thorough trial in the 'Thirties and proved definitely wanting. There have been suggestions, too, that taxes be reduced and expenditures increased to produce a large deficit. That, too, was given a thorough trial in the 'Thirties, and proved wanting—or, at least large deficits were.

The Real Truth

The truth of the matter is that the steam has gone out of the boom that had been under way for a good while past largely because New Deal and New Deal-like policies and programs of government had artificially induced activity at the same time that they made it difficult for business to develop a solid basis for its future. In political anxiety to lend a hand to those who wanted, or thought they wanted, to own a home of their own, credit was made so easy and so cheap that a tremendous home building boom developed which did not have a solid footing. Government has tried to help the farmer by subsidies that kept far too many men on the farms and glutted the markets for most types of farm products, leaving the farmer in anything but an enviable position.

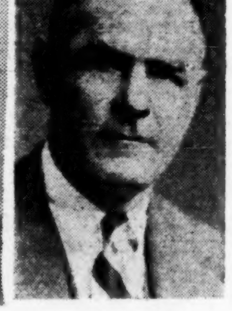
For two or three decades public policy has encouraged the growth of a labor monopoly which has been exacting much more from industry than it is entitled to, and in the process threatening to force prices so high that markets tend to weaken if not to vanish. A tax system is still in force which lays a heavy hand upon the enterprising man who would build constructively for the future as did Ford, Rockefeller and dozens of others in earlier days. It takes in taxes funds which would otherwise be productively employed in industry — and often wastes them or pays them out to others who have done nothing to deserve them. It is now on the surface at least somewhat more friendly to business as such, but its policies and its programs are far too much like those invented and installed by the worst enemies business ever had in Washington.

What is complained of most at the moment is a slowing down of capital expenditures by industry. There can be no doubt that many factors, including some government policies and the programs of labor unions, have led business to make very large expenditures for plant and equipment in recent years. Whether it has been overdone, as some seem to think, we do not profess to know. What we are quite sure of is that nothing could more hearten industry and more effectively persuade it to resume vigorous building for the future than assurance that New Deal programs and ideas had vanished from Washington for good.

Burke & MacDonald Celebrate 25 Years

KANSAS CITY, Mo.—Feb. 13, 1958, marks the completion of 25 years of investment banking for the firm of Burke & MacDonald,

Paulen E. Burke



F. H. MacDonald

Laurence B. Carroll

William J. Dyer

Inc. The firm has its inception 25 days before the "Bank Holiday" of 1933 when Paulen E. Burke and F. H. (Ted) MacDonald formed a partnership for the purpose of dealing primarily in municipal bonds. A third partner, Leonard C. Callender, joined the partnership six months later.

Offices were opened in the Fidelity Building, now the Federal Office Building, on Walnut street between 9th and 10th. One office girl took care of the paper work while the three partners contacted prospective investors.

The year of 1941 brought changes. First, in February, Mr. Callender passed away. Then, the second World War was underway and, with the war came restrictions on building materials which effected the municipal bond business. Mr. Burke and Mr. MacDonald decided to continue a partnership between themselves; the slack created through a reduction in the bond business was replenished by an increase in the over-the-counter and listed stock business.

"End of the War" meant expansion to the partnership—the municipal bond business again became an important part of the transactions; but the listed stock and over-the-counter dealings did not reduce themselves. Expansion also meant an increase in the staff of the office — no longer was it possible to continue with only one office girl. More salesmen, office girls, an accounting department and a trading department were necessary to maintain business.

By 1950 the staff had grown, and larger office space was needed. So, when the Fidelity Building was taken over by the Federal Government the partnership moved into offices that cover the ground floor at 17 East 10th Street.

In 1951 Laurence B. (Larry) Carroll, now Vice-President and Secretary, joined the firm as sales manager and "trader." Bernard F. Wagner came with the firm in 1953 as the municipal bond buyer. He is now Vice-President, being elected to that post in Dec. of 1957.

A mark of further growth was seen in 1954 when, on Nov. 8, the partnership was incorporated under the laws of Missouri with the name it presently has, Burke and MacDonald, Inc., Investment Bankers. Mr. Burke was elected President, Mr. MacDonald, First Vice-President and Mr. Carroll Secretary-Treasurer. The newly formed corporation acquired a membership on the Midwest Stock Exchange. This enabled the firm to join several wire systems extending from coast to coast and from Texas to Toronto, Canada, and to effect transactions on all exchanges in the U. S. and Canada.

In early 1955 the trading business had grown to a point where it was necessary to have one person working at only that job. William J. Dyer, presently Treasurer of the firm, was selected to head the trading department.

Today, with 25 members of the staff which make up the home office in Kansas City and the branch offices in Lawrence and Atchison, Kansas, the firm performs efficiently all the functions of the investment banking business; the financing of industry; distributing of high-grade securities and mutual fund shares; originating and distributing of municipal bonds; and the trading of securities on all exchanges. Through the trading department the corporation is able to execute orders of investors in either listed stocks or over-the-counter securities.

With Milwaukee Co.

CHICAGO, Ill. — Mrs. Ruth Erwin, has become associated with the Chicago office of The Milwaukee Company, 135 South La Salle Street, as a registered securities representative, it was announced by Edward G. Ricker, Jr. Vice-President and sales manager.

Mrs. Erwin is a graduate of Northwestern University. She has also been graduated from a course sponsored jointly by the Investment Bankers Association of America and the University of Chicago.

With Bache & Co.

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass. — David W. Kelly is with Bache & Co., 21 Congress Street.

NASD Dist. 7 Names Robinson Chairman

ST. LOUIS, Mo. — Spencer H. Robinson of Reinholdt & Gardner, St. Louis, was elected Chairman of District Committee No. 7 of the National Association of Securities Dealers, succeeding Haworth F. Hoch of McCourtney-Breckenridge & Company, St. Louis.

Spencer H. Robinson

John W. Bunn of Stifel, Nicolaus & Co., Inc., St. Louis, was elected Vice-Chairman.

The district consists of the State of Arkansas and parts of Missouri and Kentucky.

Milwaukee Bond Club Ann. Dinner & Election

MILWAUKEE, Wis.—The Milwaukee Bond Club will hold its annual meeting and election officers on Friday, Feb. 21 at the Pfister Hotel. The business meeting and election will be held at 5:30 to be followed by cocktails, with dinner at 7 p.m. Fee $15.00.

Joseph N. Austrup, Merrill Lynch, Pierce, Fenner & Beane, Vice-President of the club, is in charge of the arrangements committee.

Fred D. Jenkins, McMaster Hutchinson & Co. President of the Club has appointed the following members to the Nominating Committee to select a slate of officers and governors for the coming year: Oliver A. Julien, of Thomson & McKinnon, Chairman; William C. Davis, of A. G. Becker & Company; Fred D. Jenkins, of McMaster Hutchinson & Co.

The Nominating Committee reports the following selections: President: Joseph N. Austrup, of Merrill Lynch, Pierce, Fenner & Beane. Vice-President: Marshall A. Loewi, of Loewi & Co., Inc. Governors: Robert H. O'Keef, of The Marshall Company; William G. Martin, of The Milwaukee Company; Harold A. Madary, of Robert W. Baird & Co.; John R. Mich, of Harris, Upham & Co.; Albert J. Harbaugh, of Gardner F. Dalton & Co. Fred D. Jenkins, as Retiring President, automatically becomes a member of the Board of Governors for a term of one year.

The Secretary-Treasurer is appointed by the President, subject to approval of the Board of Governors.

New Coast Exch. Member

LOS ANGELES, Calif.—Membership of William H. Morse of Pasadena Corporation in Pacific Coast Stock Exchange through the purchase of treasury membership of the Los Angeles Division has become effective it was announced by Mr. Frank E. Naley, Chairman of the Los Angeles Division Governing Board.

The new member firm Pasadena Corporation was organized in May 1933 and is engaged in the investment securities business with offices located at 618 East Colorado Blvd., Pasadena, Calif.

Mr. Morse, the Exchange member representing the firm, has been associated with the organization since 1942 and became its Secretary, Treasurer and Director in 1947. Other principals of the firm are John C. Wilfong, President and Director, Keith W. Nusbaum, Vice-President and Director and Raymond L. White, Vice-President.

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The Welfare of Our Country Is Tied to Electric Industry

try, with a major concentration in the Mountain, Pacific and East-South-Central states.

Today there are 103 such projects in service, 30 under construction, 58 authorized, and 493 approved or proposed—a total of 684 projects representing 61,167,000 kilowatts of generating capacity.

During the 1957 session of Congress, a $1.5 billion Rivers and Harbors Bill was approved by the Senate and is now before the House to advance further the activity of government in the electric field. These huge appropriations have been voted in the past and will be in the future, in spite of the fact that the private electric utilities and the free enterprise system have been ready, willing, and able to supply the electrical requirements of our nation at no cost to the Federal taxpayer.

A second area, also related to the electric power field, where major reductions in our Federal budget can be made, lies in the Federal rural electrification program. Originally, the REA program began as an aid to farmers in areas where it was not economically feasible for private utilities to extend their electric lines. Bear in mind that private electric utilities are investor-owned and as such have been compelled to justify the expansion of their facilities on a dollars-and-cents basis. Today, there are very few areas in the country that are not within reach of central station electric service; and yet the REA program, which started out on a small scale basis, has become a Frankenstein. Immediately after World War II, Federal appropriations for the REA power program grew by leaps and bounds from a mere $500 million in 1945 to a total of almost $3.6 billion in 1957. All this has occurred in spite of the fact that privately owned utilities have stood ready and willing to supply the requirements of the rural areas. Today, REA loans are even being made to help finance wiring of the consumer's premises and to enable him to acquire and install electrical and plumbing appliances and equipment! This is a far cry from the original intent of the program — "to make electricity available to our rural areas." By law, REA loans are made at an interest rate of 2%. The government is paying well over 3% to obtain this money, and certain REA borrowers are operating a nice little "shell game" by reinvesting their loans in government bonds paying in excess of 3%. This is a real Ponzi deal at the expense of all taxpayers.

Obviously, the REA program today is no longer one designed for the benefit of the small farmer who could not get electricity to his farm. Rather it is a program designed to give preference to a certain few who are being subsidized at the expense of the American taxpayer for political reasons. Today these subsidized tax-free projects blanket the entire United States.

Nuclear Power Plants

Now a word about nuclear power plants in the United States: A lot of political noise is being made about this country's nuclear power program, and a great smoke screen has been thrown over our progress by the claims and counterclaims of those who have axes to grind. Just a year ago, I was in Europe making a tour of nuclear power installations in England and France; and I can assure you, gentlemen, that the United States is not behind those European countries in the design and development of economic nuclear power plants. It is acknowledged that technically we are actually ahead of them because we have not been forced, by economic considerations, into a crash program for developing one type of reactor at the expense of research for the best possible type of power reactor. In Europe, the limited supply and cost of conventional fuels has forced them into a limited design reactor program. We in this country, who are blessed with an abundant supply of low-cost fossil fuel, have concentrated our efforts on investigating many types and theories of reactors to gain experience and know-how. By so devoting our energies, when we do develop an economically feasible nuclear power source, it will not be necessary for us to discard hundreds of millions of dollars invested in obsolete types of reactors. Today we have eight nuclear power plants completed or under construction (four already operating) offering a wide variety of design and size. These eight plants will have a generating capacity of approximately ¾ million kilowatts of capacity. Five of them, representing approximately 700,000 kilowatts of generating capacity, are being built and financed either entirely or primarily by private industry. The other three power reactors, amounting to about 70,000 kilowatts, are being built by the Atomic Energy Commission, either alone or in conjunction with one or more private enterprise organizations.

Another 11 nuclear power plants totaling approximately 700,000 kilowatts are either proposed or in the planning stages. These projects, added to those actually under construction or completed, represent almost 1½ million kilowatts of generating capacity. The cost of the nuclear projects in which the investor-owned utilities are participating will involve expenditures by the industry of approximately $1½ billion. You may look forward with confidence that the United States will maintain its technological supremacy and that our utility industry will continue to provide an ample supply of electricity to meet the country's energy requirements.

I have painted the electric industry with a broad brush to present you with a panoramic view. Now I would like to return to one vignette, one phase, of this great industry so that I might point up a thought—a thought which concerns me greatly. It is characteristic of the American businessman to shrug off problems that do not directly affect his immediate business welfare. We can no longer afford to follow such a path. It will lead to destruction.

Turning TVA Loose

Only the other day, I was most heartened by a Guaranty Trust Co. advertisement captioned "Give-away . . . with String Attached." This ad stripped the camouflage from the government power program and exposed it far what it is—a tax-subsidized power program paid for by the many for the benefit of the few. The unwarranted interference of politics in the sound development and production of this country's electric power requirements should be the concern of every businessman.

This brings me to one of the most threatening political moves now before the Congress, which would turn the TVA loose and let it run "hog wild" with no congressional restrictions or control over its financial independence — thereby permitting it to perpetuate and expand its operations with tax-free revenue bonds. How would you like to have a subsidized competitor like this appear in your business and territory, if you were one of the 11 investor-owned electric utilities to be thus exposed and invaded? This kind of vicious legislation, which can lead only to undermining our national economy, must be stopped.

Have you forgotten that the TVA was created to control floods and improve navigation on the Tennessee River? Today it is primarily a power project, the largest integrated power system in the world; and oddly enough, most of its power is generated by steam rather than by falling water. As a matter of fact, nearly 80% of TVA electricity is now generated in steam plants. You and I have made an involuntary investment of more than $2 billion through our Federal taxes in order to benefit a relatively few, and not a cent of interest has even been paid on this loan.

If TVA is permitted to proceed the revenue bond route, it will be the preamble to similar demands by the Southwest Power Administration, the Missouri Valley Authority, Bonneville, and many other government agencies.

Another example of grossly unfair political thinking and maneuvering is the apparent unwillingness on the part of many politicians to compensate utilities for the cost of relocating their facilities in the way of new highways being financed by the Federal Government. Only one-third of the states have permitted reimbursement which would put the cost on the users of the highway rather than on the electric and other utility consumers. The arguments against reimbursement are unsound, political in character, and the result of pressure by certain "interested" groups.

In conclusion, I direct your attention to a recent statement made by Dr. S. C. Hollister, dean of the College of Engineering at Cornell University and Vice-Chairman of the Hoover Commission. He said:

"What is there in this power situation that should receive the active attention of businessmen generally? Power is the energizing force of all industry. Control of this force by government operation affords a powerful entry by government into the remainder of the industrial activity of the country.

"Any act, therefore, on the part of business which condones expansion in the power field can well be an act which in the end, will be inimicable to th business world itself. You cannot have just a little bit of Socialism. You either have it or you don't. We must realize that this trend is on the march and that our action with respect to it will be the determining factor in the form our government will assume in the years to come."

I suggest that, as bankers who are vitally interested in the financial integrity and soundness of the investor-owned electric utilities, you take an interest in legislative proposals such as I have been discussing that will adversely affect and do damage to the welfare of your many trust funds as well as your depositors in general.

Joins Lyons & Shafto

(Special to The Financial Chronicle)

BOSTON, Mass. — Douglas C. Lyons has joined the staff of Lyons & Shafto, Inc., 79 Milk Street.

Baker, Simonds Adds

(Special to The Financial Chronicle)

DETROIT, Mich.— Robert H. Gillam has been added to the staff of Baker, Simonds & Co., Buhl Building, members of the Detroit Stock Exchange.

Public Utility Securities

By OWEN ELY

Public Utility Securities

Kentucky Utilities serves electricity to a population of about 566,000 in Kentucky. The service area, which is integrated, includes the celebrated Blue Grass region and coal mining areas in the southern part of the state. A subsidiary, Old Dominion Power, serves electricity to 30 communities and rural areas in southwestern Virginia.

Farm products include tobacco, corn and livestock. In the past coal mining has been the principal activity and it still accounts for a substantial part of the company's revenues, but diversified manufacturing industries are now coming into the state. Kentucky was somewhat backward industrially until recent years. Lexington, the capital, with an estimated metropolitan population of 122,000 in 1956 had only 2,500 factory employees. In 1954 the city adopted a program to make the community more attractive to industries, with the result that in 1956, 32 new industries located in the area and 11 existing industries expanded operations. Among these firms were International Business Machines, General Electric, Square D, R. J. Reynolds Tobacco, Dixie Cup and Diamond Match. The IBM plant will, it is estimated, have 6,000 employees by 1960.

As surveys have shown that for each 100 new workers in major industrial plants 70 others are employed in supporting businesses and services, this increase in industrial business should have a two-fold effect. It has been estimated that as a result of this program the population of Lexington would increase more than one-third by 1960. The expansion in Lexington is said to be typical of what is happening on a smaller scale in many other communities served by the company, which is now actively promoting community development.

Residential and rural sales approximate 39% of revenues, commercial 23%, mine power 12%, other industrial 10% and miscellaneous 15%. However, the anticipated increase in industrial sales resulting from the many new plants should increase and diversify the industrial load.

Some irregularity in earnings has resulted from sale of a substantial amount of power to the Atomic Energy Commission during 1954-55. Later the Commission obtained the large amounts of power which it required from the huge new generating plants of EEI and OVEC, and purchases from neighboring utilities such as Kentucky Utilities were gradually discontinued. Thus while revenues showed a very sharp increase in 1954, gains were much smaller in the two following years. In 1957 the usual rate of increase in revenues was resumed. Eliminating the AEC sales the trend of revenues has been upward, with a fairly consistent pattern, during the postwar period.

Continued growth is anticipated. The company's construction program for 1958 has been budgeted at over $18 million compared with $13 million in 1957. At the end of 1956 the company had plant capability of 413,000 kw. and purchased power capacity of 64,500, making a total of about 477,500, compared with the peak load of 398,000 kw. In the spring of 1957 a new 100,000 unit went on the line and the company plans to install another unit of 120,000 kw. capability, in July, 1959. With this unit owned capacity will have been increased more than 50% in three years.

During 1955-57 the trend of earnings in relation to invested capital was downward, and the company therefore made application last June for a rate increase. In its decision handed down Jan. 15, 1958, the State Commission approved of the normalization of deferred income taxes but deducted the reserve from the rate base. While fair value was not allowed as such, it permitted a special allowance of $14 million to be added to the rate base to compensate for "the depressing effect of increasing plant costs." Adjusting net operating income, a return for the test period of 6.05% was indicated, on the Commission's figures. An increase in rates amounting to $2,778,000 was granted, equivalent after taxes to about 54c a share.

The company expects to sell 165,000 shares of common stock next fall which will dilute earnings about 7%. After allowance for the rate increase and the equity financing, earnings have been projected for the calendar year 1958 at about $2.20 a share.

The stock has been selling recently around 29 Over-the-Counter, yielding 4.4% based on the $1.28 dividend rate. Since current payout is only 58% of estimated 1958 earnings, an increase in the dividend rate some time this year would seem a logical expectation. The present price reflects a price-earnings ratio of 13.2 times the 1958 estimated earnings.

Years	Revenues (Millions)	—Common Stock Record— Earnings	Dividends	Approx. Range
1957	$39	$1.94	$1.28	26 -23
1956	37	2.13	1.28	28 -23
1955	37	2.05	1.24	29½-24½
1954	36	2.13	1.14	25½-19
1953	32	1.76	1.00	19 -17½
1952	29	1.71	1.00	18 -15½
1951	27	1.41	1.00	16½-11
1950	23	1.68	.85	16 -11
1949	20	1.48	.80	14½-10½
1948	20	1.43	.80	----
1947	18	1.01	---	----

Joins Straus, Blosser

(Special to The Financial Chronicle)

KANSAS CITY, Mo.—Robert L. Burns has become affiliated with Straus, Blosser & McDowell, 21 West Tenth Street.

Joins A. E. Aub Staff

(Special to The Financial Chronicle)

CINCINNATI, Ohio — Clyde A. Kelley has joined the staff of A. E. Aub & Co., Fifth Third Bank Building.

With J. F. Lynam

(Special to The Financial Chronicle)

ST. LOUIS, Mo. — James W. Norris is now with J. F. Lynam & Co., Inc., 111 South Meramec Avenue.

W. E. Hutton Adds

(Special to The Financial Chronicle)

CINCINNATI, Ohio—Philip S. Smith has been added to the staff of W. E. Hutton & Co., First National Bank Building.

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Fiduciary Responsibility in Pension and Welfare Funds

the competence with which he will perform his duties. The commission should not be a plum to be savored by some favorite individual.

Indeed, there have been shocking instances in which union officials, representatives of employers and even trustees themselves have profited by forwarding programs to certain insurance companies in return for favors. An insurance company on one occasion paid $85,000 to an acting secretary-treasurer of a union over a period of two years for expenses allegedly incurred by the union in promoting its welfare plan.[10]

Why Abuses Occur

You may ask how such apparent abuses can take place when funds are under the joint management of employer and union. One answer may be that in those plans in which responsibility is divided there is less incentive for either party to maintain close supervision, as neither party feels the burden of exclusive responsibility. These joint programs have generally arisen as a result of collective bargaining and thus it is often feared that an accusation by either party against the trustees of the other may have ill effects on the collective bargaining sessions which take place periodically. In all too many instances trustees for the employers have tended to abdicate their duties on the theory that once the employer has made the payments agreed upon, their trustees have discharged their responsibilities toward the workers. The Sub-Committee found that one employer had attempted to circumvent the responsibility which was placed upon him by Section 302 of the National Labor Relations Act by arranging to have the employees provide him with a written assignment of a so-called "wage increase" pursuant to which sums were paid to a welfare plan controlled by the union.[11] Thus the employer justified his failure to appoint trustees to share administrative duties.

The employer-dominated plan is possibly less susceptible to abuses for the simple reason that under these plans the employer guarantees to provide certain vested benefits, and excessive administrative costs and brokerage fees are contrary to his own interest which is to provide the benefits as inexpensively as possible. Stockholders are usually quick to note abuses since dividends would be adversely affected. Nevertheless, the temptation to dip into such funds may in some cases be overwhelming and this remains a danger in the case of less reputable companies. For example, the Internal Revenue Service not infrequently encounters impecunious employers who have made use of withholding tax funds.

In the case of funds handled exclusively by the union, the employees have just as vital an interest as the stockholders of a corporation but the union officers sometimes lack the administrative skill required in managing a welfare program and the employees may, for various reasons which will be discussed, fail to make their influence felt. It is unfortunately true that there have been cases in which money contributed by union members specifically for welfare purposes has been comingled with other funds in the union treasury and diverted for illegal or capricious purposes. In one case a union obtained control of a small insurance company whose affairs they managed without adequate accounting and audits. The president of the union relaxed in luxurious resorts in various parts of the world and dispensed generous gifts to those in his favor.[12]

Inadequacy of Present Law

The United States Government has watched these developments with a growing sense of helplessness as Federal statutes presently on the books are for the most part inapplicable and where applicable are ineffective. Section 302 of the National Labor Relations Act[13] which is the major Federal statute directly in point, reveals the inadequacy of the present Federal program.

Section 302 prohibits payments by an employer to the representatives of his employees. An exception to this Section, however, permits payments to certain types of welfare and pension funds provided that the funds are held in trust for the employees for pensions, medical care, employment benefits and the like. Under the Section both labor and management appoint an equal number of persons to act as trustees for trusts created through collective bargaining. However, inasmuch as Section 302 deals only with jointly created and managed trust agreements, its scope automatically excludes, and is thus inapplicable to welfare plans handled exclusively by either the employer or the union and which constitute the vast majority of all welfare plans. Furthermore, once a Section 302 trust is lawfully set up, no Federal sanctions police its future activities or require its efficient operation.

Another Federal statute which touches upon welfare and pension plans is the Internal Revenue Code.[14] The Code exempts from taxation voluntary employees beneficiary associations once they have qualified and as long as they file annual information returns.[15] The Internal Revenue Service, however, is necessarily concerned with the receipt of revenue and, therefore, the Code does not make unlawful those programs which do not qualify for continued favorable tax treatment nor can the inspection of these tax returns be more than cursory.

Some States Have Acted

On the State level, it is encouraging to note that at least some states have recognized the problems outlined to the extent of enacting legislation requiring administrators of these plans to submit reports to the State Government.[16] The effectiveness of this legislation, of course, depends upon how detailed the reports are and how diligently they are examined by the State agency involved. Significant in my opinion are statutes now adopted by several states which authorize and empower certain State officers, such as the Superintendent of Insurance, to examine the books of any welfare and pension plan.[17]

New York State in 1956 passed a comprehensive statute which amended its Insurance and Banking Law with respect to the registration, examination and supervision of employee welfare funds.[18] Registration of the fund is mandatory. The Superintendent has the power to examine the funds at any time and is required to do so at least every five years. Annual reports must be filed with the Superintendent and collusion between agents and trustees as to the funds is prohibited by statute. The statute also makes provisions for enforcement. The Superintendent may impose a penalty on a trustee or he may obtain an injunction in the name of the State against acts in violation of the statute. Furthermore, if the Superintendent finds that funds have been mishandled, he may refer the matter to the Attorney General, who may bring an action to recover amounts so mishandled.[19]

This action by the states suggests to my mind, however, that perhaps the principles applicable in the law of trusts have not been fully exploited and that perhaps these old principles can be extended by statute to meet the new problems raised by welfare and pension programs.

Not All Plans Are Trusts

Under the law of trusts, which has evolved through the years, the courts of equity can be called upon to censure and surcharge those who violate their fiduciary responsibilities by exploiting funds entrusted to them or by utilizing their role to gain personal advantage. However, not all of the plans which I have mentioned are trusts. Some of them are derived from other relationships. For example, the employer-managed plans arise essentially from a contractual relationship in which the parties bargain for the receipt of certain vested benefits to be paid in the future and for which the company agreed to be indebted. In some of the union-managed plans, the union agrees to make certain benefits available and frequently no separate fund of money is set aside for investment. In both these cases the employee has only a contractual right for which he may sue if he fails to receive what has been promised him.

In the jointly operated programs, however, trust principles have been held by the courts to be applicable.[20] Under the law of trusts a trustee may compel fellow-trustees to account and may seek the aid of an equity court in determining whether the terms of the trust are being violated. The beneficiaries likewise have the right to compel an accounting which would cause trustees to be surcharged for any amount of money lost through mismanagement, or for any personal profit made possible by their fiduciary role. It has been argued that an employee has no standing in a court of equity because he is only a potential beneficiary, who must remain in the employ of the company for a specified number of years. I believe that the law of trusts is not that severe for there are cases in which beneficiaries, whose interests have been no more than contingent, have, nevertheless, been held to be entitled to seek an accounting,[21] and an employee would seem to have similar standing. Furthermore, while departure from the employ of the company usually brings to an end the employee's rights, under some plans his rights become vested after a certain number of years spent with the company, and subsequent employment elsewhere, prior to retirement age, does not divest him of his rights. Even where the beneficiaries are properly informed, only a few courageous employees will dare to risk the threat of union reprisal and this only where the abuses have been so flagrant as to be intolerable. Unfortunately, the malady so aptly described by United States District Judge Herlands, as "under-world lockjaw" may cause honest workers to remain silent for fear of losing their jobs and endangering the safety of their families. The result of this is to present the anomalous situation of a trust virtually incapable of being enforced.

Law of Charitable Trusts

Obviously there must be some way found by which an officer of the government can enforce the rights of the beneficiaries. I believe that the law of charitable trusts may provide the answer. Where the trust is a so-called charitable trust, the Attorney General of the State may bring an action either on behalf of a beneficiary or on his own initiative. Charitable trusts as distinguished from private trusts are considered to affect the public interests since they pertain to persons in need of assistance and are less susceptible to private enforcement. Professor Scott has used the term "charitable" in describing various trusts established to assist persons who are or have been employed by a particular business.[22] Furthermore, several courts have indicated that a pension fund trust is indeed a charitable trust. For example, Judge Goldsborough in his dictum in Van Horn v. Lewis et al,[23] declared that the welfare and retirement fund was a beneficial charitable trust and that all rules applicable to charitable trusts applied. On another occasion a California court upheld the validity of a testamentary bequest to three specific railroad employee pension funds, which by statutory provisions would have been invalid.[24] However, by calling the fund a charitable trust, the court was easily able to uphold the bequest.

In the states where the status of the trust as charitable is in doubt, the State Legislatures should consider adoption of laws which would give the Attorney General of these States the right to treat all pension and welfare trusts as charitable trusts, and the laws should require the Attorney General or a Superintendent of Insurance to make periodic inspections to seek out possible abuses. In this way employees, who did not wish to take the initiative themselves, could seek the aid of the State as a champion.

Suggests Such Federal Legislation

It seems to me that these trusts have so great a national significance that the Congress should consider legislation which would confer upon the United States Attorneys the authority to enforce trust relationships either on their own initiative or upon complaint by beneficiaries. Of course, such legislation would apply only to trusts for the benefit of employees whose activities come within the scope of Federal jurisdiction. The purpose of such legislation would be not to extinguish the efforts of the Attorney Generals of the States, but rather to afford an additional sanction against corruption in States where the Attorney General for one reason or another failed to take needed action. It might well be that in certain States the legislation would be more stringent, and the Federal legislation should carefully provide that States were by no means to be excluded from acting side by side with the Federal Government in such matters.

The programs established through collective bargaining and managed solely by the employer raise a very troublesome problem, for the obligation to the employee is essentially contractual. Many corporations claim that the manner in which they provide the funds needed to finance the program of benefits is their own concern. Some employers set aside a certain sum for each employee and have a special program of investment. If the investment is unprofitable, however, the employer is still bound to provide the benefits contracted for and it is hard to see how trust principles can be applied here. Where the employer is a corporation with active stockholders, the stockholder suit is the most effective method. The employee, on the other hand, appears to have no way in which he can prevent waste and misuse of the funds set aside for him by the employer.

Sole Management or Union Funds

While the employer should be free to invest his own funds as his judgment may dictate, the extent of the investment risk he takes should be known to the employee. Admittedly this would mean that the employer would have to disclose the nature of the investment made with the funds designated for employee benefits and many employers oppose this. Nevertheless, I do not see how the interests of the employee can be adequately protected unless he can obtain information which will enable him to determine whether his employer is wasting or misusing funds set aside for his benefit. This is especially true in instances where the employee contributes to a program of benefits.

It is my view that the employee could be protected by some requirement that regular annual reports of the administration of the fund be furnished by the employer to its employees. Perhaps this could be implemented by a standard provision to be made a part of all collective bargaining contracts much the same as standard clauses are required by State authority in insurance contracts.

Pension and welfare plans administered solely by the union raise equally troublesome problems. Here we are confronted with the issue of how a union is to be kept accountable to its members. Certainly the investigations conducted by my office and by the Senate Committee have demonstrated that there is inadequate supervision of union officials who bear the responsibility for taking care of funds. It seems to me that pension and welfare plans established and managed by unions should be treated as charitable trusts and that the United States Attorney should be given the same standing to compel an accounting that I have proposed with respect to the trusts established jointly by the employer and the union.

With respect to union treasury funds, as distinguished from pension and welfare funds, the Senate hearings have shown that some of the worst instances of personal profit have involved some union leaders who have seen no harm in borrowing union funds at little or no interest. Investigations have revealed instances in which labor leaders have received money from employers in return for favors and have used such capital to set up profitable personal businesses. While the government can obviously prosecute for extortion when the facts warrant, it would seem as though an even more effective weapon would be available against these abuses if a constructive trust were to be imposed upon profits obtained through transactions made possible by union rank and power. The statement of ethics adopted by many union internationals requires higher standards of fiduciary conduct on the part of union officials, and combined with an application of constructive trust principles, the new codes could perform a great service. I believe in giving the unions every opportunity to clean house themselves and that the government should take a part only as a last resort. However, if this

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10 Final Report, page 34.

11 Interim Report, page 15.

12 Final Report, page 23.

13 29 U. S. C. 141 et sec.

14 26 U. S. C.

15 26 U. S. C. Sec. 501 (c) (9).

16 Senate Interim Report, page 43-44.

17 Interim Report, page 43-44; N. Y. S. Ins. Law, Sec. 37 (Supp. 1957); Wash. Laws Ex. Sess. 1955, c. 8, at 1745.

18 N. Y. Laws, 1956 c. 774, passed April 18, 1956.

19 N. Y. Ins. Law, Section 37 (1957) Supp. N. Y. Banking Law, Section 60-75 (1957) Supp.

20 United Garment Workers of America v. Jacob Reed's Sons, 83 F. Supp. 49 E. D. Pa. 1949; Upholsterers International Union v. Leathercroft Furniture Co. 82 F. Supp. 570 E. D. Pa. 1949.

21 Scott on Trusts 1956, 2nd Edition, Sec. 172.

22 Scott on Trusts, 1956, 2nd Ed., Sec. 375.2.

23 Van Horn v. Lewis et al, 79 F. Supp. 541, 545 (D. C.) (1948).

24 Estate of William Tanrant, 38 Cal. 2nd 42, 237 P. 2nd 505 (1951).

ils to bring results, it may be ecessary to consider ways of enbling outside authorities to assist he unions in their efforts to curb ch abuses.

As mentioned before, absence of pecific information has been an mportant factor in making abuses ossible and the very nature of he abuses which I have described dicates the scope of the information which needs to be made vailable.

The method of providing for isclosure will bear some disussion.

Disclosure Information

Section 9 f[25] sets forth, as a condition precendent to the receipt of many of the benefits of the National Labor Relations Act by a union, that a financial statement be filed with the Secretary of Labor and be furnished to members of the union. According to recent cases, false statements wilfully made would make the person signing the report subject to prosecution.[26] I believe that this section should be amended to require that all unions whose activities affect interstate commerce should comply with Section 9 f (A) and (B) regardless of whether the union wishes to have the benefit of the National Labor Relations Act. Furthermore, the deliberate failure to file information or the deliberate filing of false information should be made a crime with the penalty spelled out within the section.

Section 302[27] requires an annual audit of the trust funds mentioned previously and specifies that the results be available "for inspection by interested persons at the principal office of the trust funds. . . ." I believe that trustees of such trusts should be required to file these reports with the Secretary of Labor and that copies of the reports should be furnished to all potential beneficiaries. False statements or failure to file should be dealt with as in my proposal for Section 9. This would bring the two sections into a consistent relationship with each other. Such general descriptive phrases, as administration expenses, etc., would have to be broken down. Disclosure should bring into the open the names of recipients of money, whose services could be subjected to scrutiny. Trustees should be required to report any income or loan received from insurance companies or from any other sources associated with the duties which they perform.

Obviously the Departments of Labor and Justice would have to work out together an effective policy of enforcement since the Department of Labor would have possession of the information filed. Furthermore the relation between Federal and State activity would have to be examined since the purpose of my proposal is to supplement rather than extinguish the constructive role now being taken by some states. Unnecessary duplication and unreasonable burdens upon unions should be avoided to every extent possible.

It should be hoped that the very necessity of filing reports with government agencies would impress upon fiduciaries and other officers the advisability of avoiding transactions which, if disclosed, would subject them to censure if not prosecution.

State-Federal Embezzlement Action

At present, state district attorneys must bear the difficult task of prosecuting those who embezzle union or trust funds. I believe that embezzlement should be dealt with by local district attorneys wherever possible. However, I believe that the national scale upon which some unions operate makes it essential that there be a federal statute concerning such embezzlement, and that the United States Attorney should be enabled to prosecute embezzlements where the local officials are ill equipped or unwilling to prosecute. I believe tht many district attorneys, who find their efforts thwarted by the interstate scope of some unions would welcome the assistance of the Department of Justice in dealing with embezzlement from unions or from trust funds established for the benefit of employees.

The reason that I have put so much emphasis on the civil remedies, as distinguished from the criminal sanctions, is that so many of the shocking abuses which we have seen do not lend themselves to statutory prohibition. While embezzlement of funds is obviously a crime, the equally reprehensible practice of taking personal advantage of a fiduciary position is not. Legislation may not endow fiduciaries with genuine traits of selflessness but the fear of exposure can give rise to a self interest upon the part of a fiduciary which will serve a similar function.

This program of disclosure, plus the grant of standing to government officials in both civil and criminal procedure, can help foster responsible unionism.

Discusses Present Job

As the head of a law enforcement agency which has been fighting against crime in labor unions for a considerable period of time, I would like to depict something of the work of my office and outline some of the unique problems which face my staff.

The City of New York is a great banking, cultural and manufacturing center and we take pride in its eminence in these fields. Many of the manufacturing industries compressed into our metropolitan area are small businesses and, while the total volume of goods and services produced in this geographically cramped area is truly enormous, they are produced by these thousands of highly competitive establishments. The tradition of unionism is strong in the city and its citizens are highly conscious of the beneficial results of legitimate unionization. On the other hand, we have a manufacturing system in which the difference between the saving of few dollars in wages per week or a few cents per item in shipping costs may mean difference between success and failure—the difference between being able to compete and the inability to even remain in business.

You can readily see how the unscrupulous find ample opportunities to infiltrate this system. Not only on the unions' side have hoodlums enlisted. For every racketeer union there is a manufacturer who is willing to connive with them to exploit and in some cases physically oppress their employees.

For well over two years my office has been making a thorough and painstaking investigation of racketeering in unions in the New York area. Under our supervision the Federal Bureau of Investigation has investigated the activities of a score of unions located in New York City. We have examined the books and records of literally hundreds of business organizations in the area in our attempt to break through the collusive veil which some business organizations and their partners, the racketeer local, have thrown up. We have continuously tried to collect legal evidence to expose before the bar of justice the calloused operations which are practiced upon the workingmen of our city.

Our office was one of the first to obtain a conviction against a major union official, James Ryan of the Longshoremen's Union, for accepting bribes and gifts from employers, in violation of Section 302 of the Taft-Hartley Act. Since his conviction was affirmed by the Supreme Court of the United States in 1956, racketeers and others have begun to realize that we intend to use every law available to us.[28]

But such convictions and such indictments are admittedly difficult to obtain. There is a considerable difference between knowing of such activities and being able to prove them. It is not easy to find an individual employee or businessman with the courage to come forward and testify against the strong-arm men, or to break through the ingeniously arranged books of businessmen who pay off the racketeer for their own advantage. I can assure you, however, that my office will not cease in its efforts to maintain the diligent probing and investigation which represents the only way in which this cancerous growth in the life of our social and economic system can be removed.

The diabolical blinding a year ago of Victor Riesel, who reported the news as he saw it, has shattered much of the complacency of law enforcement agencies and the public alike. I am confident that more vigorous prosecution of our criminal statutes together with a concerted application of fiduciary principles can be an effective combination in meeting the challenge which threatens responsible unionism. I am further confident that there is a growing body of responsible persons in management and labor which is awakening to the necessity of taking effective steps to insure that the ultimate beneficiary receives the benefits to which his labor has entitled him.

25 29 U. S. C. 159.

26 *NLRB v. Eastern Mass. Street Railroad Co.*, 235 F. 2nd 700 (1st Cir. 1946).

27 29 U. S. C. 141 et sec.

28 U. S. v. Ryan, 128 F. Supp. 128, D. C. S. D., N. Y. (1955) Rev'd 225 F 2d417 (2nd Cir. 1955) Rev'd 350 U. S. 299 (1956).

NASD Dist. 9 Elects H. D. Carter Chairman

ATLANTA, Ga. — Hugh D. Carter, Jr. partner, Courts & Company, Atlanta, was elected Chairman of District Committee No. 9 of the National Association of Securities Dealers. He succeeds James T. Beeson of Clement A. Evans & Company, Inc., Augusta. The district consists of the states of Alabama, Florida, Georgia, Louisiana, Mississippi, South Carolina and Tennessee.

Hugh D. Carter, Jr.

A. C. Schwartz Director

A. Charles Schwartz, a partner in the New York Stock Exchange firm of Bache & Co., has been elected a director of Graham-Paige Corp., a closed-end investment company, it is announced by Rear Admiral John J. Bergen, Chairman, and Irving Mitchell Felt, President. Mr. Schwartz is also a director of Consolidated Electrodynamics Corp., Siegler Corp., Hotel Corporation of America and other companies.

Joins Reynolds Staff

(Special to The Financial Chronicle)

CHICAGO, Ill.—Paul M. Schoessling has joined the staff of Reynolds & Co., 39 South La Salle Street. Mr. Schoessling who has been in the investment business for many years has recently been with the Municipal Bond Corporation and Straus, Blosser & McDowell.

Securities Salesman's Corner

By JOHN DUTTON

More Cooperation Would Help All!

During the past few years the New York Stock Exchange has done much to help the public gain a better idea of the advantages of investing in securities. Its advertising has been helpful in this respect. It is missing an opportunity to help member firms, however, by slanting its copy in a way to encourage investors to give their business only to member firms, thereby neglecting to tell the story in full. When you pay for advertising it is true you want to feature your own wares but at the same time you should not impair good public relations with your competitor-customers.

Let Me Make It Clearer

The thousands of Over-the-Counter Market firms who participate in underwritings and also originate public offerings of securities, as well as create secondary markets in existing issues are both customers as well as competitors of member firms. I have not seen any figures that give an accurate count of the total volume of listed business which is originated by non-member firms, and upon which only the member firm earns a commission and the non-member firm receives no recompense at all. In other words, many non-member firms handle this business at a loss. They confirm out only the stock exchange commission charged by the member firm and the entire expense involved in the transaction is charged to good-will and in doing a good job for the customer. If other non-member firms believe that a listed issue should be sold to a client they govern themselves accordingly and buy it through a member firm and confirm it at the same rate the customer would pay to any member of the New York Stock Exchange. These non-member firms offer service, quotes and use of a wire at their expense.

While it is true that some non-member firms do charge a service fee, or a double commission, this does not alter the fact that the New York Stock Exchange is obtaining considerable business from these non-member firms, too. For this reason, if for no other, there should be a realization of the debt owed by member firms to the Over-the-Counter segment of the securities business. None of their advertising should be slanted to favor only listed firms with the oftentimes implied assertion that an investor is somehow in better hands, or liable to do better if he entrusts his investing to a member firm. Neither should customer's representatives be encouraged to make such remarks to prospective clients and customers. You don't build up your own prestige by making aspersions about other firms, whether or not they as a group, or individually, are members of any Exchange.

Both Markets Are Necessary

I don't think it needs much emphasis to state that both the Over-the-Counter Market and the listed market are necessary and vital parts of our investment facilities in this country. Both serve a purpose and a definite public need. They properly complement each other. I recognize that this sort of thinking may be considered somewhat unrealistic but if we could bring about a better spirit of cooperation between the larger and smaller firms, the Over-the-Counter and listed ones, the underwriters and the firms that make secondary markets and distribute securities, it would be helpful to all. Certainly there are enough built-in impediments to progress without creating more of them through short-sighted, selfish, policies in advertising and sales promotion. The public needs to know more about the Over-the Counter Market, the fine and ethical firms that operate therein; and the member firms should also take into consideration that from a selfish viewpoint if from no other, they will prosper more through referred business if the "Counter" houses also are busy and creating commissions for them as well as handling their own specialized merchandise.

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America Cannot Afford to Gamble With Recession or Depression

essential programs that have been held back or advanced too timidly by reason of the fear of inflation. Instead of resigning ourselves to being the victims of recession, why not turn this recession to our advantage?

There is work and to spare that cries desperately to be done. Now, when the dangers of inflation are lessened, when we have idle industrial capacity and a mounting idleness of labor, let us tackle at least some of those jobs.

There is well-nigh unanimous testimony from high sources—military experts, scientific experts, the Rockefeller report, the Gaither report—all telling us our national defense has been falling dangerously behind and that greatly increased efforts are needed if Soviet Russia is not to achieve military supremacy over us.

The President in his Oklahoma speech told us that national defense would not be sacrificed to the worship of a balanced budget. That is certainly as it should be; but the new budget, showing a projected increase of only $1,100,000,000 certainly falls far short of what seems to be called for in the light of the two Soviet Sputniks.

Build Shelters

The Gaither report, among other things, suggests that a program of fall-out shelters, costing a good many billions of dollars, deserves most serious consideration. The Rockefeller report says such shelters are essential. Large as this project is, it could represent a very modest per capita cost in terms of the number of lives that could be saved in the event of thermo-nuclear war. Why spend countless billions for massive retaliation if only a handful are going to survive to know the retaliation has occurred?

If this program is ever to be tackled, a time of recession would be the God-given moment for getting started.

We all know of the nation's desperate need for new schools and new roads. Now may be the time to press ahead with aid and encouragement for these needed works. Admittedly, we cannot do all these things at once. I cite them only to prove there is so much that needs doing.

As matters stand, the modest projected increase in the Federal budget will not begin to offset the aggregate cut-back in reduced business inventories, reduced business capital spending, reduced consumer spending and reduced exports. The fact is the total net increase in next year's budget is almost exactly equal to the proposed pay increases for government personnel, both military and civilian.

There are signs; however, the Administration is breaking away from the timidity of 1957 and groping its way back to the bolder and more forceful mood of 1953. President Eisenhower in Oklahoma, as I have said, turned his back upon the budgetary paralysis of early 1957. In his recent press conference he went further and said he would rather see a deficit than raise taxes. What the economy needs, he said, is "a needle rather than a check rein."

Finally, Secretary Anderson has stated that the Administration is prepared, if the slump continues, to cut taxes — in the face of a deficit.

These straws in the wind give reason to hope that we will not, as we did in the 1930's sit watching our whole financial system slide down the drain while we repeat a lot of paralytic rubbish about healthy readjustments and letting "nature take its course."

I do not doubt the current recession can be kept within bounds if the Administration puts into action the philosophy revealed in the recent statements of President Eisenhower and Secretary Anderson.

Cannot Afford Decline

I do not quarrel with those who say a little shakedown will do us good. I merely say that we cannot afford, especially in the present state of the world, to let this recession pursue its "normal course" into a downward spiral of deflation.

Accordingly, I am hoping that the Administration will at once perfect plans for reduced taxes and stepped-up spending so as to be ready for fast action not later than, say, next April—unless the signs improve by then. It will mean a great deal, I think, for the President to take the initiative, rather than leaving such proposals to Congress. I am also hoping, therefore, that President Eisenhower will keep on reminding the country in strong, clear terms that he does intend to act boldly if need arises and that he does not plan to wait too long before moving. Such assurances can have an important effect upon the plans of business managers and upon public confidence.

For the longer view there lies before America a future, limited only by our own intelligence and energy. Our population is increasing at the rate of three million a year. Our growing national income is more widely and equitably shared than seemed possible in the dreams of Utopia. Industry is only just beginning to seize upon the potentialities of systematic research and development. Our people in all walks of life have accepted as proper and inevitable a philosophy of economic expansion. We are committed to a dynamic, growing future.

Such a future, full of promise, is inevitably full of problems. In a dynamic economy like ours neither the threat of inflation nor of deflation is ever far away. Right now the problem is not inflation but deflation. Failure to deal with the present problem from fear of incapacity to deal with a future different problem is a sign in people and in nations of age and declining vigor. Government, whether it likes it or not is committed to the attempt to maintain a stable, advancing economy. The days of let things alone are far behind.

Yet if we were to have a Gaither report on our defenses against economic adversity it would show deficiencies as shocking as those revealed in our military establishment.

Overall Economic Council

In our economic defenses we do not have a Secretary of Defense or even a joint chiefs of staff setup. Moreover, neither the President nor any one else is commander in chief of our economic defenses. We have a vast multiplicity of government intermediaries engaged in credit operations affecting the general economy—wholly without coordination. We have a diversity of private institutions engaged in major financial operations—entirely outside the discipline affecting the commercial banking system and in some cases—entirely without any discipline, even taxation.

We have a huge social security system, the potentials of which for economic stabilization have not even been studied.

I have suggested before and I would like to suggest here again that simple common sense indicates we ought at least to have some authority in government that would be responsible for thinking in terms of overall economic policy.

I have suggested a National Economic Council, similar in function to the National Security Council and including in its membership the Secretary of the Treasury, the Chairman of the Board of Governors of the Federal Reserve System, the Chairman of the Council of Economic Advisors and such others as may from time to time be desirable—all under the chairmanship of the President. I submit that the events of the past year and of this moment strongly support the need for such a body.

Unified Economic Direction

Within recent months such a body has been set up on an informal basis due to the initiative of Secretary Anderson. It should be established on a formal basis and clothed with the necessary authority. There is surely need at this very moment for a more unified direction of our defense against recession as an essential part of our total national defense.

We have been told on good authority that if we continue in the recent trend, Soviet Russia will have military superiority over us within two years. We know also that there is a fatal lead time in military matters. What we do or fail to do this year will determine irretrievably where we will find ourselves in 1960 or beyond.

How can we afford, in the light of these facts, to gamble with recession or depression?

These times are dangerous. Our enemy is strong, resourceful, hard-working and ruthless. To allow our productive resources to be idle, to tolerate the waste of an economic slump would be handing Soviet Russia a tremendous victory—material and moral—all without cost.

Such a failure on our part is unnecessary and unthinkable. But we cannot simply let nature take its course. We must act wisely but boldly and, above all, promptly.

It is not impossible to turn this still young recession to our long-run advantage and, in doing so, to regain some of the ground we have lately lost.

Continued from first page

Exerting Enough Pressure But Not Too Much . . .

needed to be used if we were to have tolerable success in meeting those objectives.

In administering our responsibilities since that inquiry we have endeavored at all times to adjust our policies affirmatively and promptly to the changing economic situation. We have consistently acted to encourage such credit and monetary expansion as would be needed by a growing economy without inflation. We have resisted inflationary pressures by credit and monetary restraints whenever such pressures have mounted. We have relaxed restraints and made bank credit more available and eased credit conditions generally whenever inflationary tendencies have abated.

Anti-inflationary policies and anti-deflationary policies are inseparable linked. To achieve maximum success in contributing to stability, Federal Reserve policies, and indeed all types of government, as well as private, actions, must resist excesses on the upside if they are not to complicate the adjustment process on the downside. On the other hand, excessive stimulus during recession can jeopardize long-run stability.

Today's Adjustment Problems

Throughout the period since flexible credit and monetary operations were resumed in early 1951, we have endeavored to shape our policies continuously in accordance with basic economic forces and conditions. The economic situation, to be sure, has been influenced in some degree by our policies, but it has not been created by them. Many other forces are also at work in a dynamic enterprise economy.

This background is relevant to an understanding of more recent developments. A year ago when I testified before your Committee, economic conditions were characterized by strong inflationary pressures. This was exemplified by the substantial rise that was occurring in Gross National Product measured in current dollars compared with the relatively modest increase that was being experienced in product measured in constant dollars. In spite of the preceding credit and monetary actions that had been taken, money was losing its value at a pace that was a matter of deep concern to all.

Inflationary excesses had clearly gotten ahead of us and the economy stood in danger of an inflation crisis. The adjustment problems that the economy is confronting today are the aftermath of those excesses. In retrospect, none of us participating in economic decision-making adequately appraised the speed and force of inflationary boom. Consumer credit rose substantially in 1955. Businesses vastly increased their expenditures for plant and equipment in 1956 and 1957. Bankers and other lenders greatly expanded their commitments to lend. Labor unions sought current wage increases—and commitments for future increases — that pressed against or exceeded gains in productivity. However, inflationary trends seem to have halted before creating maladjustments of such severity to lead to a protracted period of liquidation and structural realignment in the economy.

Impact on Equities

Inflationary trends continued through the summer months of last year. There was an alarming spread of the belief, not only in this country but also abroad, that creeping inflation under modern economic conditions was to be a chronic and unavoidable condition. Reflecting this view, common stocks, the most popular hedge against inflation, rose sharply in price in July to a level where for the first time in two decades their yields fell below the yields on high-grade bonds. Also, credit demands generally continued to show great strength, and interest rates were rising. Large city banks on Aug. 7 raised their lending rate to prime business borrowers from 4% to 4½%. In this situation, Federal Reserve Bank discount rates, which were below market rates by a widening margin, were raised from 3% to 3½%, thus increasing member bank costs of operating on the basis of borrowed reserves.

In late summer and early autumn, however, developing uncertainties here and abroad began to affect the short-term economic outlook. In European exchange markets, widespread expectations of changes in exchange rates fostered large speculative movements of funds between European centers. These expectations in part reflected further accentuation of inflationary developments in some key countries, despite actions to tighten credit that were taken in various countries during the summer. It was not until late September, after the Bank of England established a 7% discount rate, that it became clear that key foreign currency values would be maintained and that inflation would be strongly resisted.

Government Spending Drop

In this country, the unexpected curtailment in defense payments and changes in procurement policies that were inaugurated during the summer, to avoid breaking through the debt ceiling, had an unsettling effect on business. In September, retail trade, which had been at record levels in July and August, began to show signs of sluggishness and this continued. Partly as a result of all of these developments, common stock prices, which had already begun to react from their extremely low yield relationships to bonds reached in July, broke further and passed in late September through the lower edge of the trading range that had prevailed during the past two years. With changing attitudes toward the economic outlook, adjustments that had been occurring for some months in various lines of activity, including some capital goods lines, came to be reappraised by businessmen, investors, and the public generally. In contrast to earlier indications of strong credit demands, bank loans to business during early autumn decreased contrary to usual seasonal tendencies.

The pace of business was maintained for a time despite these uncertainties, with employment and industrial output continuing at relatively high levels in August and September. By late October, the composite of most recent economic information suggested that inflationary pressures might be abating, and open market operations were modified to lessen restraint on bank credit and monetary expansion. By mid-November, information beoming available, incomplete though it was, indicated that general downward adjustment was setting in. In response to this evident change in basic economic conditions, Federal Reserve Bank discount rates were reduced from 3½% to 3%.

Since that time, other successive System actions were taken in accordance with information increasingly indicative of the emergence of recessionary trends. Thus, monetary policy contributed to a marked easing in the credit and capital markets. This is illustrated most dramatically by the very sharp drop in market rates of interest, the sharpest drop for any comparable period of which I have knowledge. This adjustment in credit and capital markets is helping to facilitate and cushion other adjustments in the economy as well as to strengthen demands in important areas dependent on credit financing. It is thus helping to set the stage for recovery in activity and employment as soon as other developments contribute to revival.

Recovery Determinants

History shows that our market economy has cyclical characteristics, and the consequences of this irregularity in terms of hardship and unemployment are a matter of deep concern to everyone. When downward readjustment becomes unavoidable, it is incumbent on business enterprises, financial institutions, and labor organizations, as well as government generally, to adjust policies and programs to foster recovery. We have been concerned, for example, at the decline in output and employment while prices generally have been maintained and some prices even have risen further. How soon recession is check and recovery is resumed will depend in some part at least on the speed with which economic corrections and adaptations are made in factors beyond the pro-

vince of monetary policy, that is to say, in business pricing, other selling practices and efficiency, in wage bargaining, in various financing arrangements, and in the incentives to consumers to buy.

These general remarks are by way of introduction, for the Economic Committee has requested in advance that I address myself at this meeting to four major questions. The balance of this statement is concerned with answers to these questions, but I have rearranged the order in which I will take them up.

(1) "What Is the Current Policy of the Monetary Authorities?"

In recent months, the Federal Reserve System has operated to make bank and other credit more available and cheaper.

Over this period, open market and discount policies were used in a complementary fashion. Open market operations provided sufficient reserves to permit member banks not only to repay a substantial portion of their indebtedness to the Reserve Banks, but also to accumulate some addition to reserves available for bank credit expansion. Discount rates were lowered on two occasions, mid-November and mid-January, from $3\frac{1}{2}\%$ to $2\frac{3}{4}\%$. These reductions in discount rates assured member banks that, if loan operations should require temporary borrowing of Federal Reserve credit for reserve purposes, its cost would be cheaper.

As a result of these developments, bank credit, capital market credit, and mortgage credit, have become more readily available to borrowers who have delayed or postponed financing as well as to borrowers seeking to finance new projects. Furthermore, the cost of credit has been reduced as a result both of lower rates of interest and more favorable terms of borrowing. These conditions are favorable to monetary expansion.

At the end of 1957, total customer credit for purchasing and carrying securities was 10% less than the amount outstanding at midyear and back to the level of early 1955. Thus, the need for preventing an excessive expansion of stock market credit through the higher level of margin requirements had abated. The Board of Governors in mid-January reduced margin requirements for purchasing or carrying listed securities from 70% to 50%.

(2) "What Would You Regard As the Proper Division of Labor Between Tax Policy and Monetary Policy as Instruments of Economic Stabilization During the Coming Year?"

From the standpoint of economic stabilization, tax policy needs to be reviewed in relation to expenditure requirements. Therefore, it is appropriate to consider monetary actions in the perspective of general fiscal policy rather than just tax policy.

The combination of fiscal and monetary policies that are appropriate at any particular time depends upon the circumstances prevailing and upon the feasibility of action in one field or the other. These policies are most effective in achieving their purposes when utilized in a complementary fashion. Yet, to an extent, each can be used in varying degrees independently of the other.

Fiscal policy is less flexible than monetary policy. Nevertheless, the so-called built-in stabilizers in the Federal Budget do come into operation promptly. As personal income and corporate profits decline, tax collections relatively decline more sharply. At the same time, unemployment insurance payments increase. These features of the budget and fiscal system are already operating to cushion the reduction in private incomes and expenditures.

Whether further action is desirable in either or both of these fields depends on the unfolding economic and financial picture. As of the present, the division of labor between monetary and fiscal policy is about as follows. Through the automatic stabilizers, fiscal operations have provided some offset to the decline in incomes and expenditures. Monetary policy has actively increased the availability and lowered the cost of credit, thereby encouraging loan-financed expenditures, raising capital values, and enhancing liquidity throughout the economy.

(3) "What, if any, Elements exist in the Current Situation Which Suggest or Might Permit a Resurgence of Inflationary Forces in the Next 12 or 15 Months?"

In retrospect, it is now clear that economic activity in the United States reached a peak in the third quarter of 1957 and that it has been receding since then. Thus far, the downward movement has been reminiscent in many ways of the declines that occurred in 1948-49 and in 1953-54. The early stages of all three postwar cyclical contractions have been marked by rather rapid declines in output and employment in industrial sectors. It may be remembered that the two preceding contractions were moderate and short-lived.

Resurgence of inflationary forces in the next 12 or 15 months is contingent on general revival of demands, output, and employment; on the vigor of such a revival; on institutional forces such as wage bargaining, cost plus purchasing practices, and easy credit terms that may foster price advances; on market pressures of demand in relation to supply in particularly strategic areas; and, finally, on the nature and timing of governmental actions to deal with the developing economic situation generally or with key sectors of it.

No one can speak with certainty about the future course of economic activity. There is, in fact, a range of views currently held regarding the duration and extent of this recession and of the timing and vigor of the ensuing recovery. In my own view, the underlying strengths of the economy are many. After not too long a period of readjustment and realignment of activities, healthy revival should set in, progressing to new records of economic performance and new high levels of national well being. But everything depends upon the speed with which needed readjustments and realignments of activities are made.

We are all, of course, well aware that reasoning by analogy may be misleading and that history does not repeat itself. In the two preceding postwar recessions, lows in activity were reached in less than a year from the cyclical peak and recovery to new high levels of output, demands, and employment was rapid and substantial. With the exception of the catastrophic depression of the early 1930s, the downward phase of every cycle since World War I has been over or virtually over in the course of a year.

Favorable Recovery Factors

As in our other postwar recessions, many basic forces are present in the situation favorable to recovery.

(1) For instance, as I have already mentioned, credit and capital market conditions have already responded to relaxed monetary policy and are much easier than they were a few months ago. Important financial adjustments also have already been started. By borrowing from the capital market, business firms have been able to repay bank debt, thus rebuilding the liquidity positions of both financing institutions and business enterprise.

(2) Consumer incentives to achieve still higher standards of living are strong, and research continues to provide new products of wide consumer appeal. As a group, businessmen and consumers continue to have confidence in the long-term growth prospects for our economy.

(3) Population increase has been maintained at a rapid pace—the rise of 1.8% in 1957 compares with a postwar average of 1.7%, and hence the market is expanding steadily.

(4) Consumer incomes have shown some cyclical decline recently, but the decline has been small and moderated by unemployment compensation benefits. Consumer demands are supported by a record volume of financial assets, the ownership of which is widely distributed. Growth in such assets was rapid in 1956 and 1957, while growth in consumer instalment and mortgage debt, though not small, was at a much slower rate than in 1955. The availability and terms of mortgage credit have recently become more favorable to borrowers.

(5) At the State and local government level, community demands for schools and teachers, for roads, public buildings, and other community facilities are continuing large and insistent.

(6) For the Federal Government, postwar budgets have been dominated by the need to cope with critical international stresses and tensions and to provide an adequate defense under conditions of major scientific advance and rapid technological change. National security and related problems continue to be urgent.

(7) Insofar as international economic developments are concerned, Western Europe still shows considerable strength. Industrial activity, while no longer expanding, has generally been maintained at or close to record levels. In general, balance of payments positions have improved although in several countries reserves of gold and foreign exchange are not as large as might be desired. Outside Europe, however, raw materials producing countries are facing difficulties because of declines in prices or volume of their exports.

Looks at Question of Capacity

A primary uncertainty with respect to the timing and pace of economic revival and renewed growth relates to the course of business outlays for new plant and equipment. Some observers view the business capital goods boom of the past three years as having provided a margin of industrial capacity over prospective demands greater than can be absorbed quickly. These observers tend to expect a more protracted period of adjustment than took place in the two preceding cycles.

This concern may turn out to have been well founded, but it may be noted that capacity never appears more excessive than in the midst of recession. Cyclical recovery, in due course, can certainly be expected to be accompanied by effective and profitable use of the economy's capacity to produce and by still further additions to capacity. The important factors working to expand business capital investment in the period ahead should not be minimized. The advance in the technology of production, in part the result of the huge investment in research of recent years, has been rapid and can be expected to continue. Incentives to reduce costs, to meet competition, and to sustain or improve profitability, are strong.

If revival in over-all economic activity becomes vigorous, there will be, of course, the accompanying possibility of resurgence of inflationary pressures. Postwar experience has demonstrated that, in a period of expanding demand, upward pressures on prices and costs can develop quickly. Once under way, inflationary movements tend to spread themselves throughout the economy, not only because of normal market reactions, but also because of a variety of institutional arrangements such as cost-of-living clauses in wage contracts and cost-plus arrangements in business or government procurement contracts, in part designed to protect one group or another from the ill effects of inflation. Currently, it may be noted, consumer prices reached a new high in November and remained at that high in December, notwithstanding significant declines in activity and employment.

As I said earlier, those charged with responsibility for national economic policies must at all times reckon with the dangers both of inflation and of deflation. The central policy problem, in one sense, is to prevent either inflationary trends or deflationary trends from becoming dominant. Public policies for one objective or another can have effects that go far beyond those that are intended. Both fiscal and monetary policies must be carefully formulated to exert enough pressure but not too much. That is a difficult task.

(4) "If the Inflationary Forces Continue to Abate during the Year, What Program Would You Recommend as to Priority and Specific Actions in the Fiscal and Monetary Fields?"

Everyone hopes that any recession will be moderate and short-lived.

One possibility for the year ahead is that revival may develop without renewed inflation, at least in its early stages. Under such circumstances, the task of monetary policy would be to foster revival and resumed growth, but to be ever alert to the potentials of inflationary pressures and to take prompt action should they recur.

Another possibility is that recession may be deeper and more protracted than many now anticipate, with a greater degree of under-utilization of manpower and industrial resources and with manifest deflationary tendencies. In such an eventuality, further monetary action would need to be considered, both to increase the liquidity of the economy and to encourage expansion of spending financed by credit. Monetary policy by itself, however, cannot assure resumption of high-level employment and sustainable economic growth, although ready availability of credit at reasonable cost is an essential condition for recovery.

This country is now in the process of re-evaluating what share of its potential productive capacity to devote to current consumption and what share to devote to investment in its future—in the form of outlays not only for defense and capital equipment but also for research, education, and foreign assistance. This process of reappraisal will continue for some time and in our thinking we ought not to forget the enormous growth potential that we have over the longer run and the need that we shall have for an adequate volume of savings to finance it.

With respect to fiscal policy, should the present recession appear to justify some action in this field, I should like to emphasize that we should weigh carefully both the need to meet the challenge to our defensive strength and the need to keep our economy strong and progressive.

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The Periodic Stock Dividend —Boon or Sop!

over a number of years. In this latter case the dividends may be periodic as well as substitutional. Because of the great importance stockholders generally attach to cash dividends and the importance companies attach to an unbroken dividend record, the use of this device appears to be somewhat limited.

Periodic stock dividends paid in addition to cash, are by far the most common type. Generally, the company pays at least one such dividend almost every year and the stock dividend plus cash dividends do not exceed the current year's earnings. Therefore, these periodic stock dividends seldom exceed 10%.

Rationale of Stock Dividends

There are two opposing views as to the meaning of a stock dividend. Some people contend that the stockholder receives nothing: only extra pieces of paper still representing the same interest in the corporation. Since the corporation is the same size before and after the stock dividend and since each shareholder owns the same percentage of the total corporation, he has received nothing by the dividend payment. This view was recognized as far back as 1889 in the case of *Gibbons v. Mahon*[3] when the United States Supreme Court decided that the stock dividend belonged to corpus rather than income. To decide otherwise would have deprived the remainderman for the benefit of the life tenant.

"A stock dividend really takes nothing from the property of the corporation, and adds nothing to the interests of the shareholders. Its property is not diminished and their interests are not increased . . . the proportionate interest of each shareholder remains the same. The only change is in the evidence which represents that interest."

These words were quoted by the Court in 1920 in the case of *Eisner v. Macomber*,[4] in deciding the application of income tax to stock dividends. With such logic and authority to support it, this point of view has been the accepted one.

Others claim that a periodic stock dividend is income to the recipient. They reason as follows: a stockholder receiving a stock dividend may sell those shares and realize cash. Usually the corporation maintains the same cash dividend rate after the distribution. The stockholder has not parted with any of his future income. The corporation's position is much the same as if it had paid a larger amount of cash dividend and then sold stock to replenish its bank account. If the sum of cash and stock dividends does not exceed current earnings, the corporation's s u r p l u s is not decreased **over a long period of time.** Total capital is growing at least as fast as the number of shares is increasing: therefore, if the corporation can employ the new capital as profitably as the old capital, the earnings rate per share is not diminished. If the stockholder does not sell his dividend shares, then, he has additional capital profitably invested. He may well regard this addition to capital as income. In addition, he has received this additional income substantially tax free.

Reasons for Paying Stock Dividends

One of the reasons frequently given for paying a stock dividend is to conserve cash. Since all corporations can, and most do conserve cash by paying dividends smaller than current earnings, conservation of cash is a routine thing. A stock dividend is not necessary to accomplish the objective. Yet, the corporate need for cash may vary from time to time even with stable earnings. To maintain the same dividend rate and yet conserve cash, a corporation might substitute some stock for cash. Whether the stockholder felt his dividend was reduced or not would depend upon his point of view.

Another reason given is that since a stock dividend increases the number of shares, it tends to broaden the base of ownership. However, this objective may be accomplished less expensively by an occasional two for one stock split.

Some poeple have charged that the purpose of a stock dividend is to obscure growth. In that earnings per share would not rise as rapidly as if no stock dividend were paid, the charge might seem to have some basis. However, the need for adjusting for such a dividend is widely recognized. To believe that the very people from whom growth is to be concealed are the same people who would not recognize the need for adjustment, seems unlikely.

Another reason for granting stock dividends is that stockholders like them. If the stockholder subscribes to the theory that the stock dividend only needs to be sold to be as good as cash, he will then prefer stock to cash if he wishes to reinvest. If he wishes cash, an inconvenience and a brokerage fee are involved. Neither is serious. To the stockholder who feels that the stock dividend is merely a redivision of an equity he already has, the dividend may represent merely a nuisance. However, to the extent that his company pays a regular cash dividend, the stock dividend may be an indication of increased cash income in the future.

To the s m a l l stockholder, though, a stock dividend may be a distinct annoyance. He will receive fractional shares and must either buy to round out to a full share or must sell. This can usually be done at no cost to the stockholder through an agent which the corporation appoints for the purpose. If he buys the necessary fractions to round out to a full share, he must invest additional cash. If he sells his fraction, he will have a capital gain or loss for income tax purposes. The basis of his old shares must be distributed over the total full and fractional shares he owns. The basis of the fractional share is subtracted from the sale price to obtain the capital gain or loss. This is usually quite a nuisance for the tax involved and probably is beyond the understanding of the many small holders. It is entirely possible that they pay tax on the full sale price of the fractional share. However, when the tax is computed accurately, the stockholder does pay less tax for every dollar received by selling stock dividend shares than he pays on the same number of dollars received by a cash dividend.

To avoid the problem of fractional shares some companies combine and sell all fractional shares, then send the proceeds of those shares to the stockholder. The tax status of such a receipt depends upon technical features of the way in which the company sets up the transaction. If incorrectly handled, the cash received may be fully taxable to the stockholder as a dividend.

[3] [illegible] U. S. 549; 10 S. C. 1057; 34 L. Ed. 525.

[4] 252 U. S. 189; 40 S. C. 189; 64 L. Ed. 521; 9 A. L. R. 1570.

Effect on Market Price

Probably the acid test of whether or not the stockholder likes periodic stock dividends is his response as reflected in the market price. If his response is neutral, the market should drop on the ex-dividend date to such an extent that the value of his total holdings is unchanged. If his position is other than neutral, the stock will rise or fall in comparison to what would be normal market action. Such special action may, of course, take place or at least start to take place as soon as there is knowledge of the stock dividend. To determine the extent of this special action, if any, the authors have studied the price behavior of the stock of 21 different companies paying periodic stock dividends. Price action has been studied over the time period running from six weeks before the dividend meeting to one week after the ex-dividend date. Midweek prices were used in every case to facilitate later comparison to Standard and Poor's weekly stock price averages. In the rare case where a stock goes ex-dividend on the day of the dividend meeting, the time period would be seven weeks. In most cases it is, of course, several weeks longer. Six weeks prior to the dividend meeting were felt to be enough to give a sufficient time period to precede the flood of rumors before the meeting. Of course, some come earlier, but to have taken an even longer period would have increased the chances of other factors influencing the market.

The study covers 21 large companies listed on the New York Stock Exchange that paid stock dividends in at least five of the six years 1951-1956. Only dividends of 10% or less were considered periodic stock dividends. There were 132 dividends meeting these tests. The price in each case was studied to see if, after adjustment for dilution, it differed from the general movement of the price of other stocks in the same industry. The stocks studied and the index against which each was compared are as follows:

Company	Name of Index to Which Price Compared
Addressograph-Multigraph	Office and Business Equipment
American Machine and Foundry	Specialty Machinery
Black and Decker	Machine Tools
Bush Terminal	Industrial Stocks
Cerro de Pasco	Mining and Smelting
Dow Chemical	Chemicals
Eastman Kodak	Chemicals
Fansteel Metallurgical	Metal Fabricating
Food Fair Stores	Food Chains
Getty Oil	Crude Oil
Gulf Oil	Integrated Oil
Hunt Foods	Canned Foods
I. B. M.	Office and Business Equipment
Mead Corporation	Paper
National Gypsum	Roofing and Wallboard
Pittsburgh Steel	Steel
Plymouth Oil	Crude Oil
Publicker Industries	Distillers
Rohm and Haas	Chemicals
Sheraton Corporation	Composite
Sun Oil	Integrated Oil

The specific method has been as follows:

(a) Adjust price one week after ex-dividend date for dilution due to stock dividend.

(b) Divide adjusted price after ex-dividend date by price six weeks before dividend meeting. The result is the net movement of the individual stock.

(c) Divide Standard and Poor's index figure for later date by figure for prior date. The result is the net movement of the index.

(d) Divide the net movement of the individual stock by that of the index.

If the individual stock price, adjusted, moved exactly the same as the index, the resulting ratio is 1.00. If the individual stock did better than the index, the ratio is above 1.00. Likewise, if the stock did not do as well as the index, the ratio is below 1.00.

Because an average of several prices is inherently more stable than any single one of the prices, the authors have been careful not to ascribe meaning to each particular difference between the stock price and the average against which it was compared. Instead the method has been to look at the general tendency to be above or below. The 132 individual ratios are grouped in the frequency distribution appearing in the accompanying table.

The summary shows that in 67 of the 132 cases the price movement was not more than 5% away from that of the index. Fluctuations more than 5% upward were decidedly more prominent than those more than 5% downward. The mean of the 130 middle items is 1.037. The median is 1.023. If 130 stocks had been chosen at random and if the indexes against which they were compared were truly representative, the adjusted price ratios should average 1.00. A variation would be expected due to chance selection of stocks but the expected variation would not be as great as the 3.7% found.[5] A hasty analyst might conclude that the stock dividend did then cause the price increase.

It is generally noted that after small stock dividends, such as those being studied, the cash dividend rate per share is unchanged. Indeed that was so in most of the cases being studied. The stock dividend, though diluting the book value per share, does cause an increase in the total cash to be received by a stockholder if he keeps the dividend shares. The rise in market price noted may very well be due to the fact that the cash dividend was just as effectively increased as would have been the case if no stock dividend had been paid but an increased cash dividend had been announced.

[5] Since a halving of stock price would require a subsequent doubling for the investor to come out even, the authors constructed another frequency distribution with proportionate instead of equal class intervals and computed the geometric mean. It, like the arithmetic mean, was farther above 1.00 than might be expected due to chance.

TABLE I

Ratios of Adjusted Stock Prices of 132 Cases of Periodic Stock Dividends Occurring during the Years 1951-1956

Final Ratio	No. of Cases	Final Ratio	No. of Cases
.85 - .90	3	1.15 - 1.20	6
.90 - .95	12	1.20 - 1.25	3
.95 - 1.00	34	1.25 - 1.30	2
1.00 - 1.05	33	Over 1.30*	1
1.05 - 1.10	20		—
1.10 - 1.15	18	Total	132

* 1.86

Note—No ambiguity of class limits results because all ratios were carried to additional places in intermediate calculations.

Policy Questions

Whether or not a particular corporation should consider payment of a stock dividend depends upon the character of its stockholders. A small corporation not greatly interested in wide public ownership of its stock would find the device of little benefit. Likewise a corporation would not be a good candidate for a stock dividend if its stockholders are mostly large investors likely to feel that a stock dividend does not represent income. On the other hand, a large corporation interested in maintaining g o o d stockholder relations may almost be forced into the practice.

When stockholders p r e s s u r e management for a stock dividend, it is not easy to convince them that such a dividend does not represent i n c o m e, particularly when other companies are paying them. A great many corporations paying stock dividends today may be doing so only for competitive reasons. They feel it necessary to do so in order that their stock may continue to find favor among investors.

What then should a corporation do when it is pressured by stockholders to pay a stock dividend? The easy way out is, of course, to go ahead and pay one. Stockholders would actually benefit far more, however, if restraint was exercised and management explained to them just why stock dividends are not being paid. The fact that it does not represent income should be pointed out, and some mention should be made of the great expense involved in the distribution of the additional certificates and in the handling of fractional shares. In addition to this expense to the corporation and hence to the stockholder as part owner of the corporation, the device is costly to the companies holding stock for others, such as brokers and t r u s t companies. Where the stockholder maintains a safekeeping account with a bank for example, the bank must receive in the shares resulting from the stock dividend, set up the necessary record, write to the customer-stockholder requesting instructions w h e t h e r to sell the fractional share or "round out," write off the fractional share, then receive in either the cash representing the proceeds of sale or the whole share resulting from the purchase of the additional fraction to "round out." The record keeping involved in the fraction alone is far more extensive and hence expensive than the straight purchase or sale through a broker of many thousands of shares in one transaction. Since these costs must eventually be passed on to the stockholder, he suffers not only because the dividend involves expense to the company in which he holds stock, but also because indirectly it costs him money to receive the stock dividend.

If a corporation does feel it necessary to pay a stock dividend, it is almost a stock exchange requirement that the market value of the stock dividend plus the cash dividend paid per share not exceed current earnings per share. For example, a company whose stock is selling for $100 per share, whose earnings are $5 per share and whose cash dividends are $3 per share, should not pay a stock dividend in excess of 2%. Until the middle of 1955, the New York Stock Exchange maintained this position. Thus, in 1953 the Exchange a d v i s e d International Business Machines that the 5% stock dividend IBM had proposed was excessive. A 5% stock dividend had a market value of about $12.50 per share at that time.

That, when combined with the current cash dividend of $4 per share would exceed by a wide margin the current earnings of only $10.67 per share. Consequently it was necessary for IBM to advise its stockholders that the proposed 5% stock dividend had been reduced to 2½% at the insistence of the New York Stock Exchange.

The reason for this rule was no doubt due to the feeling on the part of Exchange officials that the investing public would be deceived by excessively large stock dividends. It was brought out in the discussion above that any stock dividend dilutes the value per share. However, when growth through retained earnings is great enough to offset the diluting effect of the stock dividend, the market value over a long period should not actually decline. It will simply fail to rise less than it might have if no such dividend had been paid. Therefore, if stock dividends are limited in this manner, the stockholder is able to look upon his original shares as representing his original investment and the shares he receives from stock dividends as tangible evidence of retained earnings. If stock dividends are allowed to exceed this amount, the shares resulting from the stock dividend will represent retained earnings plus a portion of the stockholder's original investment. Thus, even though the New York Stock Exchange has since abandoned this rule and in no way limits the size of stock dividends a company may now pay, the rule has considerable merit and would serve well as a guide to corporations contemplating payment of a stock dividend.

If a corporation feels it necessary to pay stock dividends, in order to keep expenses at a minimum, it is suggested that cash be distributed in lieu of the issuance of fractional shares. Careful attention must be paid to form to prevent the cash from being fully taxable to the recipient as ordinary income.

The most common method of handling fractional shares today is through the issuance of fractional order forms, usually in the form of tabulating cards. The stockholder is advised as to the amount of the fraction to which he is entitled on the order form. A space is provided for him to indicate his choice as to whether he wishes to have the company's agent sell his fractional share or purchase another fraction, which, when combined with the fraction to which he is already entitled, will equal a full share. If the stockholder fails to return the order form prior to the expiration date, which is generally about six weeks after the payment date, the agent automatically sells the fractional shares represented by the order forms still outstanding, and remits the proceeds to the stockholder. When cash is distributed in lieu of fractional shares, the company or its agent simply combines and sells all fractional shares prior to the payment date of the stock dividend and then remits the proceeds of sale of these shares in lieu of the fractions. This has the obvious advantage of greater simplicity, and hence less expense to the issuing corporation, and is also far less complicated to the stockholder, particularly where the stock is being held for the benefit of another.

Conclusion

Periodic stock dividends have become more popular and apparently stockholders like them. By and large there seems to be a slight price rise accompanying payment of such dividends, but this may be due to the other favorable actions about the companies which do choose to pay these stock dividends.

As long as at least some stockholders regard these dividends as income, they will like them because of the tax exemption features. The courts have held such dividends as a mere redivision of the total capital and hence not income. It seems more logical for the stockholder to dislike such dividends. If he wants cash, there would be less trouble to receive cash than to receive shares and then have to sell. If he wants reinvestment, mere corporate retention of earnings gives him that without the bookkeeping attendant upon the receipt of a stock dividend. Fractional shares also cause a problem which, at best, is troublesome to the issuing corporation.

From the corporate standpoint, stock dividends offer nothing except that they please the stockholder. Broadening the base by increasing the number of shares can be done more economically by an occasional large stock dividend or split than by many small ones. Fractions can be avoided and the many issuing expenses on a single distribution can hardly be determined by the number of shares to be issued to a given number of stockholders.

It would seem, therefore, that corporations will want to use stock dividends as little as possible and yet please the stockholders. To reduce the expense of handling fractional shares and to make it easier for the stockholder, the corporation will want to arrange to send cash in lieu of fractional shares. The form of the transaction will have to be watched very closely to prevent the stockholder from being taxed as if he had received a cash dividend. Such would probably destroy any preference he may have had for stock dividends.

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Does Our Federal Reserve System Require Any Revision?

Savings in the United States, finds that changes in income accounted for two-thirds of all changes in savings during the first 50 years of this century. Edward Denison's research at the U. S. Department of Commerce, shows that regardless of interest rate levels, saving is remarkably steady at slightly less than 15% of gross national product, except in depression and war.

Little Connection

George Katona's research on consumer saving at the University of Michigan's Survey Research Center, reveals very little connection between personal saving decisions and interest rates. The recent failure of the Swedish Government to generate much additional savings even by pushing interest rates on savings accounts up to 8%, indicates that higher interest rates may not increase savings.

Credit restraint as a modern-day device to control price trends, seems just as reasonable as the theory that higher interest rates will attract larger savings. Yet there is considerable evidence that higher interest rates have little to do with increased savings, as I have just pointed out. Similarly there is considerable doubt among some students of our economy that credit restraint does sufficient good to offset the stifling effect it has on some sectors of our economy.

In any event, we have no clear evidence just precisely how the Federal Reserve Board's credit restraint policies affect prices, though we do know credit restraints have had some deleterious effect on smaller businesses and production.

Crude Tools

Perhaps the Federal Reserve Board cannot operate in any other fashion. The tools at the disposal of the Board are crudely adapted to our 1958 economy. Perhaps we ought not to complain at the imperfection of the results.

However, our complaints are directed not so much to the present, as to the future. Credit restraint or credit expansion are vital to our well-being, and we may well consider a re-examination of our entire banking legislation while we have time to debate the issues and perfect the legislation. It would be tragic if we were to plunge into a crisis of any sort, and expect the 1913 model auto, with 1933, 1934 and 1935 accessories, to perform with our 1958 high-octane rocket fuels.

The problem facing us today is how to maintain a dynamic economy, with a swelling population of over 170 million, with giant corporations being balanced with strong unions, with regional stock exchanges making non-bank financing more readily available, with vastly expanding insurance funds, pension funds, profit-sharing funds—all outside the Federal Reserve System—with the burden of high taxes and the rising $275 billion Federal debt overhanging all our financial markets, with an ever increasing gross national product including 10 million autos to be produced annually by 1965, and the necessity for an ever expanding base for consumer credit and instalment buying.

Unprepared for 1958

If we insist on limiting our central banking powers to the 1913 machinery, as patched up in the 1930's; if we insist on limiting our central bank policy to the static philosophy of maintaining the *status quo*—we may well find we are well prepared to meet a 1929 crash, but we are not at all prepared for the dynamic contortions of a 1958 economy.

To centralize all Reserve Board monetary activities on the maintenance of a price level—and not too effectively at that—while permitting other, equally important growth aspects of our economy to be choked off by tightening bank credit, is perhaps of dubious wisdom. It is for that reason that it becomes of prime importance today that we re-examine our banking legislation to see in what respects it requires revision, and in what respects, addition.

But that is not all. We are a nation still in its formative period, full of ideals and ambitious imagination. It is not the hunt for profits alone which prompts men, possessed of millions, to keep on struggling with production and services. It is the youthful and boundless energy craving for constructive success, the joy of creating, and the conscious and unconscious desire of taking a hand in the triumphal development of this great country. If we hamper this vision by glasses fashioned in 1913, we have only ourselves to blame.

With Braun Monroe

(Special to The Financial Chronicle)

MILWAUKEE, Wis.— Raymond G. Janzer has become associated with Braun, Monroe and Co., 735 North Water Street. He was formerly with the First Wisconsin National Bank of Milwaukee.

With J. L. Brady Co.

(Special to The Financial Chronicle)

WORCESTER, Mass. — Francis S. Kelly has been added to the staff of J. L. Brady & Co., 27 Elm Street. He was formerly with Hemphill, Noyes & Co. and Coburn & Middlebrook, Inc.

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High Cost of Conservatism In Pension Fund Investing

chance. Don't do anything for which the bank might later be criticized. Furthermore, it is doubtful if banks pay enough to attract and keep good common stock men. Stockbrokers as advisers have the traditional limitation that they are compensated by trading commissions and are usually interested in the more spectacular short swings of the market.

Alleged Need for "Balanced" Investment

It is sometimes urged that portfolio management should contain a "proper" balance. This is of the utmost importance in certain types of portfolios, but here we are talking about large, diversified, dollar averaged, fully invested, long term, growing funds with no need for liquidity. The need for a bond defense is virtually nil in such a fund.

In the immortal words of that distinguished, now retired banker, Dean Roger F. Murray, " . . . in common stocks there is no defense like a good offense." . . . I am confident that the mutual savings banks, investing either directly or through their mutual fund, can have a very satisfactory investment experience. They are in the advantageous position of the true long-term holder of equities who can ride out the storms and stresses, disregard intermediate market swings, and ultimately receive his compensation in the form of an handsome addition to earning power."

Fixed dollar obligations, since they are no protection against inflation, are as speculative as common stocks, but in a different way. It should be remembered that investment in bonds is not all a bed of roses. Bonds can default too.

The public remembers 1929 and 1932. Actually the stock market fall from 1929 to 1932 offset the previous unwarranted rise. A person who was in equities before 1928 would have found his book losses of 1932-33 soon converted back into profits. Persons who practiced dollar averaging through systematic stock purchases month by month throughout this period came out much better than persons who kept their funds in fixed income obligations.

In speaking of balance, it should be recalled that balance refers to the overall situation. Most industrial pension fund recipients will be receiving Social Security which of course is backed up by government bonds. In addition, many will have savings accounts and insurance programs with perhaps an interest in real estate. These al help provide "balance." Cash reserves in the pension fund do not do the retired worker any good.

Again there seems to be no need for pensioners to expect the cream off the top of an extremely conservative bond pension fund. It is most costly in the end in the form of benefits reduced to a mere subsistence level.

Institutional Improvements for Common Stock Investment

Let us look at some of the institutional economic changes which make common stock investment increasingly more appropriate.

(1) We have come a long way in developing financial responsibility and adherence to high fiduciary obligations since the Armstrong Investigation of 1906.

(2) Improved accounting and auditing standards, together with full disclosure and SEC supervision thereof, have made company reports a sturdy foundation upon which to analyze common stock earning prospects.

(3) Administrative controls of common stock trading, by the Exchanges and the SEC, likewise provide a much firmer foundation for common stock purchases.

(4) In addition, current controls by the Federal Reserve Board on margins, credit and interest rates, are far more effective.

In brief, the country has matured substantially. It seems irrefutable that a diversified list of common stocks, professionally selected, should over a long run provide substantially greater net results than a bond fund and on a reliable basis. The conditions pointing to common stock investments for pension funds may not however exist elsewhere.

Events indicative of the liberalizing of institutional thinking are:

(1) Amendment in 1950 of the N. Y. Trust Law to permit 35% investment in common stocks.

(2) Amendment in 1951 of the N. Y. Insurance Law to permit a small amount of investment in common stocks.

(3) The development of a variable annuity through CREF by TIAA.

(4) Legislative proposals to permit the sale of variable annuities by insurance companies.

(5) Adoption of a commingled mutual common stock fund by N. Y. State Mutual Savings Banks. This stock fund now exceeds $75,000,000.

In the long run, pension funds will be no sounder than the industrial economy to which they are tied. Everybody concerned — employers, employees and the financial institutions — should get away from the concept that a pension plan can provide ironclad financial guarantees and should recognize that it is essentially a cooperative effort to accumulate old age savings reserves. The end result may well be a dynamic investment policy which will lie somewhere between the ultra-conservatism of many trustees and insurance companies and the policies of some

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TABLE I
New York Telephone Company
Comparative Analysis of the Pension Fund Earnings Rate

Year	N. Y. Telephone Pension Earnings	N. Y. Telephone Debt Cost	ATT Dividend Yield	Moody's Utility Yield "Aa"	Moody's Utility 24 P. U. Stock	U. S. Life Ins. Cos. Before Federal Inc. Tax	U. S. Life Ins. Cos. After Federal Inc. Tax
1946	2.64%	3.21%	4.85%	2.58%	4.23%	2.93%	2.89%
1947	2.51	3.08	5.58	2.67	5.32	2.88	2.88
1948	2.58	2.87	5.91	2.92	5.85	2.96	2.96
1949	2.66	2.87	6.22	2.76	5.86	3.06	2.98
1950	2.77	2.95	5.91	2.68	5.66	3.13	3.00
1951	2.65	2.86	5.77	2.95	5.77	3.18	2.98
1952	2.67	2.90	5.81	3.05	5.39	3.28	3.07
1953	2.96	3.03	5.77	3.32	5.33	3.36	3.15
1954	3.05	3.31	5.35	3.00	4.81	3.46	3.24
1955	2.99	2.95	4.98	3.13	4.50	3.51	3.23
1956	2.74	2.87	5.05	3.39	4.68	3.63	3.33
Average	2.75%	2.99%	5.56%	2.95%	5.22%	3.23%	3.06%

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High Cost of Conservatism In Pension Fund Investing

investment trusts.[5] But such a policy would greatly enhance the benefits available to retired workers.

II

Analysis of Leading Pension Fund Results

Let us look now at some pension funds which are weighed down by the dead hand of the past.

The Bell Telephone System Pension Funds

The Bell Telephone System was a leader in initiating employee retirement benefits in 1913. It is a non-contributory system, now covering nearly a million active workers in the 33 corporations which make up the Bell family.

In 1928 the Bell Telephone System began funding its retirement program. Pension fund reserves for each corporate entity are kept separate. The consolidated pension fund now aggregates, as of the end of 1957, $2.6 billion. It is currently growing at the rate of nearly a million dollars every working day.

In 1938 the pension fund trustee (Bankers Trust Co. of New York) was instructed by a resolution of the Board of Directors to invest the pension fund assets in "legals" for New Work insurance companies. Investments were further restricted by decreeing that they be limited to governments, municipals, and obligations of domestic corporations of the highest quality. This has been construed to mean "A" rated bonds or better.

The wisdom of restricting investment to high grade bonds conflicts with the just released findings of Dr. W. H. Hickman's monumental bond survey done under NBER auspices. Dr. Hickman finds that despite their greater loss ratio the net investment return from lower grade bonds exceeds that of top rated bonds because of the importance of the yield differential. Thus, while there is danger to small furds in low quality bonds, with diversification there is safety and greater yield.

Since the retirement of the pension fund notes in 1945 the New York Telephone pension fund (which is slightly more than 10% of the system) has earned an average of 2.75%. This is 24 basis points less than the average cost of its "Aaa" rated mortgage bonds.

It is also interesting to contrast the pension fund earnings during this time with the dividend yield on AT&T common stock which is not noted for its growth characteristics. This dividend yield, during the 11 postwar years, has been 5.56%. If allowance had been made for the value of the rights received the yield would have been 7%. AT&T dividend yield has averaged approximately 6% since the retirement program was installed in 1913.

From Table I it is seen that the earnings on the Bell System pension fund is less than the cost of debt money to the system; substantially less than the yield of its common stock; and, less than the average net earnings for all life insurance companies in the United States. It should be recalled that this net for insurance companies is after a sizable income tax deduction which is nonexistent in the case of the so-called charitable pension trusts.

The Bell System funds are centraly managed and larger than any investment trust and greater in size than all but the largest insurance companies. The System or trustee can afford to have an adequate research staff to get the advantage of skilled management, with wide diversification, dollar averaging and long term results in common stocks. There is no excuse for them to hold governments. It is noteworthy that they have no mortgages in their portfolio although every life insurance company considers this to be the backbone of its higher yielding assets. If they are profitable to insurance companies they could surely be equally attractive to the Bell pension fund.

It is submitted that the operating results of the Bell Telephone pension fund are mediocre and inadequate. This is due eseentially to the antiquated investment directives. Had the pension fund earned the same return as AT&T common stock, retirement benefits could have been doubled

The Bell pension fund investment policy was drafted in the light of the depressed economic conditions which existed during the early 1930's. Twenty years have passed since the last major change in investment policy. It is now time for an objective reappraisal of this ultra-conservative investment policy which is so costly to the stockholders or retired employees. Many other funds earn substantially more. Even the mediocre average of these funds, as shown by SEC figures, is 3.60% for 1956.

It is submitted that an objective reappraisal of Bell pension investment policy is long overdue. It is time an impartial review of portfolio policy be undertaken in the light of the comparative record of bonds vs. stocks from the point of view of stability, capital appreciation, earnings and purchasing power. The latitude of the trustee for an aggressive, dynamic investment policy using skilled judgment to the utmost is unduly restricted and outmoded.

Union Administered Pension Funds

Let us now look at some funds which are administered by unions for the benefit of their members.

The Amalgamated Clothing Workers have a sizable retirement fund invested as follows: (end of 1956)

	($000,000)
Invested assets (govs.)	$40.2
Cash	10.1
Other assets	.5
Total	$50.8

Earnings of the fund give a returnable of about 2.5%. The invested assets consist entirely of government bonds. There is practically complete absence of any investment management. There is no diversification. There is no attempt to get better yields. Little analysis is required to purchase government bonds. In fact, at the end of 1956 the market value of the portfolio had declined $3 million from its purchase price. This fund also shows lack of alert management in that over 20% of the fund is in idle cash.

Similarly the I.L.G.W.U. has a pension fund invested as follows:

	($000,000)
Cash	$3.5
Savings	3.0
U. S. Govt. and Agency Bonds	83.4
East River Housing Bonds	4.7
VA Mortgages	1.0
Other	.9
Total net resources Retirement Funds	$96.5

The high minded officials (Hillman and Dubinsky) who set up these two leading union pension funds in the pioneer days leaned over backwards to prevent any taint of wrong doing or possible mismanagement. The funds were surrounded with safeguards for the prevention of "loss" either through individual crookedness or managerial incompetence.

Funds were kept in the most conservative type of investment—cash, savings accounts and governments. It is fair to conclude that early militant labor leaders were unduly fearful or apprehensive of this new capitalistic financial institution. It was a strange, unfamiliar activity. Labor leaders of the 1930's were quite anti-capitalistic and distrustful of what is called "Wall Street."

This ultra-conservative policy has resulted, however, in depriving union members of greatly enhanced benefits. In taking their stewardship so seriously, these managers have virtually committed an economic crime, considering only the sanctity and inviolability of the dollar principal. This crime has been all the more aggravated by postwar inflation. A more realistic, dynamic investment policy could have provided greatly enhanced benefits through the more productive investment of these funds. It is submitted that union funds of this size are large enough for adequate diversification. They have the economic characteristics to justify the large portion of the funds being invested in common stocks.

[5] See discussion of the "enterprising" or "aggressive" investor in Graham, Benjamin, The Intelligent Invesors, 2nd ed. Harpers 1954.

Twin City Bond Club Annual Outing

MINNEAPOLIS, Minn.—The 37th annual picnic and field day outing of The Twin City Bond Club will be held Thursday, June 19, 1958, at the White Bear Yacht Club, White Bear Lake, Minnesota.

On the previous evening, June 18, a cocktail party and social get together will be held at the Hotel Nicollet, Minneapolis.

Willys P. Jones of Allison-Williams Co., Minneapolis, is General Picnic Chairman and Lyman W. Cole, Jr. of the Municipal Bond Department, Kalman & Company of Minneapolis, is Reservations Chairman; William J. Lau of J. M. Dain & Co., Minneapolis, is the Club's President.

With James H. Price

(Special to The Financial Chronicle)

FT. LAUDERDALE, Fla.—J. Williams Sauer has become affiliated with James H. Price & Co., Inc., 148 East Las Olas Boulevard.

Joins Gordon Graves

(Special to The Financial Chronicle)

MIAMI, Fla.—Edward E. Kelly has become connected with Gordon Graves & Co., Pan American Bank Building.

With Thomson, McKinnon

(Special to The Financial Chronicle)

MIAMI BEACH, Fla.—Howard W. Kramer has become connected with Thomson & McKinnon, 927 Lincoln Road.

Nolting, Nichol Adds

PENSACOLA, Fla.—Edward P. Metzger is now with Nolting, Nichol & Company, West Garden Building.

Joins Adams, Sloan

(Special to The Financial Chronicle)

SARASOTA, Fla.—Herbert F. Lundquist has become affiliated with Adams, Sloan & Co., Inc., 306 North Tamiami Trail. He was formerly with Grimm & Co.

Dean Witter Admits

SAN FRANCISCO, Calif.—On Feb. 13 Dean Witter & Co., 45 Montgomery Street, members of the New York and Pacific Coast Stock Exchanges, admits to limited partnership William J. Stauffer.

Continued from first page

World Monetary Problems And United States Policies

the deterioration of our moral and spiritual values. Like the quack doctors, we have treated the patient with so many drugs that one is not able to realize any more whether it is the disease or the treatment which is killing him.

Blames the U. S. A.

The confusion in thinking in economic and monetary matters is simply appalling. Partially because of this confusion, and to a great extent because of lack of political courage, our country fails to give the free world the economic leadership it needs and which we alone can provide.

The recurrent crises in foreign payments of many countries reflect a dangerous international disorder. Undoubtedly national policies of these countries and lack of monetary discipline bear a great responsibility in this disorder. However, the economic power and preponderance of the United States is such that the greatest responsibility for this international disorder is right at our doors. In complete disregard of our international responsibilities and our own long-term welfare, we maintain a protectionist attitude and pursue a nationalistic monetary and economic policy in support of a grandiose dream of an American perpetual boom. To the extent that our national policies are incompatible with economic facts in the rest of the world, we have chosen to pull the economies and currencies of the free world in our wake, by gifts or aid. Because we have a bad conscience we even accept discrimination against American goods. Since the end of World War II we have spent more than $60 billion on foreign aid, gifts or so-called loans. There must be something basically wrong with our policies if such a huge outpouring of dollars results in international resentment and disorder in virtually all the countries of the free world rather than in good will.

The truth is that most of the governments of the free world playing demagogic politics to get votes, refuse to face the complex real issues with which the free world is confronted. We, together with the rest of the free world, have pursued policies or goals which are incompatible. We cannot obtain free convertibility of currencies, stable exchange-rates and unrestricted multilateral trade while each country is pursuing an autonomous nationalistic monetary policy. Neither can we have at one and the same time full employment, monetary stability, and continuous wage increases. Economic facts are throwing an increasingly glowing light on these inconsistencies. But politicians practically everywhere in the free world refuse to face facts, concerned as they are with making friends and getting votes. "Politics," by which politicians mean vote-getting, may well be their most important fact to contend with. But if there is no countervailing influence of reason to politics thusly understood, I, for one, seriously doubt that our democracies will survive in the cold war against a powerful, single-minded totalitarian country such as Russia. The responsibility of the United States in this deplorable international economic and monetary disorder is greatest because of the preponderant economic weight of our country.

Causes for Disorder

What are the causes of the international economic and monetary disorder?

(1) First and foremost are the inflationary domestic policies of practically all countries, including our own. Most countries have been living beyond their means and have camouflaged their international insolvency by exchange-controls and other impediments to international trade. The so-called "dollar shortage" is primarily the result of inflationary policies and of inconvertible currencies. I shall revert later to the question of "dollar shortage."

(2) The second important cause of international disorder is the lack of free convertibility of currencies, and particularly of the pound-sterling, of which more later. I am convinced that the present monetary and credit policies will not permit the restoration of the free convertibility of currencies. Yet we cannot have a well-knit free world economy without an orderly international currency-system.

The necessary coordination of the monetary policies of the countries of the free world seems to me impossible — politics being what they are — without either the restoration of the international gold standard or without the rigorous discipline of the International Monetary Fund. There are deeply entrenched, unjustified prejudices or intellectual prepossessions against the gold standard. But what are we waiting for to restore the free convertibility of currencies, which should have become a fact five years ago, as we were entitled to expect at the time the International Monetary Fund began to operate? The maintenance of fixed exchange rates without free convertibility of currencies can only create serious maladjustments and give a semblance of justification to unrealistic exchange rates. The governments of the free world continue to be confronted with the problems of distorted exchange rates, disturbed balances of payments and lack of liquidity.

Why has the International Monetary Fund, or our government, not the courage to explain to the world what is wrong with the present monetary arrangements, and what needs to be done to put and end to the international monetary disorder? Be it said in passing, it is also simply absurd to envisage a Common European Market without the free convertibility of currencies of the countries involved.

(3) The third important reason for the international monetary disorder is that we have not yet accepted the logical and necessary consequences of being a rich creditor nation. Tariffs, quotas and other trade-restricting devices prevent the expansion of imports of manufactured goods into the United States. We are really strange and unpredictable people. At one time, we go the extreme of assuming responsibilities which are not ours, and of trying the impossible task to make everybody in the world happy and prosperous; at other times, like at present, we refuse to face real issues and we do not permit the request for "trade not aid" to become a reality; neither are we prepared to help the free world in the restoration of international monetary order. Our trade policy is critical, not only to the strength of the free world, but to our own economy. We cannot continue to tax our people in order to give our substance away. It does not make for a sound free world to have it living on American charity, assuming that we can

fford it, which I seriously challenge.

Too many people in our country are not aware of the importance of our exports to the United States economy. Yet more than ,500,000 of our people are employed in direct export and import operations; by way of contrast, I wish to mention, that no more than 100,000 to 200,000 workers would have to switch employment even if all tariffs were eliminated. We are exporting three times as much manufactured goods as we import. This fact alone proves how unfounded is the argument of those who ask for high tariffs because our wages are so much higher than those of any other country. Our high wages are simply a reflection of the high productivity of our economic system. Last year we sold abroad 19% of our total truck products, 40% of our track-laying tractors, 11% of our machine-tools, 26% of our mining equipment, and between 25 and 40% of our cotton, wheat, rice, fats and tobacco.

Is it beyond our wits to make it clear to our people that if we wish to export we must import? Is it really difficult to make people understand that imports increase our standard of living? Can we not explain that tariffs are subsidies? Is it not clear that tariffs and quotas protect those who can't compete, just as farm subsidies keep the inefficient farmer on the farm? Is it impossible to explain to our people that protectionism is a handicap to economic progress?

We tell the free world that if they want to sell finished goods to the United States they must first spend substantial amounts of money on studying our market and learning scientific methods of salesmanship and advertising. Then, if and when they do all that and are successful in selling us goods, we invoke the infamous "escape-clause" to prevent their import. I have often heard Europeans questioning our good faith when we act in such a manner. We should take a sharp and critical look at our escape-clause, and particularly as to how we determine injury to an industry as a result of a lower tariff.

Importance of Pound Sterling

What should we do to get out of the present money muddle and strengthen the framework of the free world economy? As I mentioned before, I consider it extremely important for the restoration of monetary order that the pound sterling be made again a freely convertible currency. Indeed, the sterling is a trade currency, it is very widely held, and it finances one-third of the international trade of the free world. Immediately after World War II a few important individuals with great international experience, among whom Mr. Winthrop Aldrich, then President of the International Chamber of Commerce, advocated the so-called "Key-currency" approach for the restoration of monetary order. They demanded essentially that no effort and help should be spared to make the pound sterling convertible.

The loan of $3,750,000,000 made in 1947 by the United States to Great Britain, on the condition that she make the sterling convertible, turned into a predictable fiasco, not only because of the socialistic policies of the labor government, but also because of the huge sterling balances accumulated during the war. It may also be that the world at large possessing pounds sterling was at that time too hungry for dollar goods. This unfortunate experiment in convertibility had the result that most Britishers and many Americans have come to doubt the possibility of restoring the free convertibility of the pound. I, together with others, reached at that time the conclusion that the sterling could not be made convertible as long as England has a Labor Government, because they inspired distrust while confidence is essential to restore the credit of a currency.

The situation is different now. Great Britain has a conservative government which appears determined to put a halt to inflation of money. At the last annual meeting of the International Monetary Fund, Mr. Thorneycroft, then Chancellor of the Exchequer, declared that his government was ready to abandon the policy of full employment, or rather overfull employment, for the sake of defending the pound sterling. This statement may prove to be an important date in the history of postwar economic ideas and politics. Indeed, politicians and unfortunately many economists have gotten into the bad habit of either recommending unattainable goals or refusing to accept the necessary means or sacrifices to attain the professed goals. It remains to be seen whether labor will cooperate with the government in defense of the pound by putting a halt to the continuous rises in wages. The government could, by monetary policy, prevent the workers from obtaining rises in wages, but it may result in unnecessarily large unemployment which would tax the political courage of the government perhaps beyond endurance. It is also questionable whether the fight against inflation can be really successful unless the principles and institutions of the socialist welfare state are abandoned in practice.

How to Restore Sterling Convertibility

Assuming that the domestic conditions to restore free convertibility of the pound exist, what else are the experts claiming as necessary requisites for such restoration? Essentially there are three: (a) the acquisition of larger reserves in gold or dollars, (b) the liberalization of our foreign trade policies, and (c) that the U. S. economy be strong and prosperous.

(a) When British experts speak or write of reserves they sometimes refer to the reserves of the free world necessary to increase the international liquidity, and at other times they discuss the reserves of Great Britain and of the sterling area. How large must the reserves of the free world be? The first rule to keep in mind is that under a system of autonomous monetary management of the different countries, the reserves need to be much larger than under a gold-standard system. However, the sounder the economic and monetary policies of the various countries, thus avoiding recurrent crises in the balance of payments, the less speculation there is about future adjustment of exchange rates, and the smaller need be the reserves. In other words, monetary discipline is more important than the amount of reserves.

Before 1914, the Bank of England could run the gold standard with a gold reserve that seldom exceeded Pds. 40 millions supplemented by a second line of reserves in the form of short-term credits extended by London to all corners of the globe. Yet a comparison of gold reserves and total world trade shows clearly that the question of international liquidity constitutes a worldwide problem. To make this point clear, I wish to mention that the gold reserves of the free world as a percentage of world trade is now about 19% against 49% in 1937. Monetary reserves in the form of dollar balances, and still less in the form of sterling balances, are not a sound substitute for gold reserves. It seems to me a dangerous fallacy that individual countries can cover their lack of liquidity with debts from some countries or by borrowing from each other. This is the famous gold exchange standard which is essentially an inflationary device. At the time of the Great Depression, it seriously aggravated the monetary and economic difficulties of many countries. Even if we add dollar reserves to gold we find that the total world reserves (outside the U. S. A.) is about $25 billion and that their percentage to the total trade outside the U. S. is about 17% as against 30% in 1937.

Devalue Gold to $70

I am afraid that the low reserves of a number of countries (among which key countries like Great Britain and France) have reached a degree which constitutes a serious threat to foreign trade, particularly now that the American economy is in the midst of an economic readjustment. This shortage of currency reserves, having international acceptance, brings nearer the danger-point at which "beggar my neighbor" policies may be resorted to by many countries as they did in the 1930's. One proposed remedy to this lack of liquidity is a change in the price of gold. However, Under-Secretary W. Randolph Burgess restated the U. S. official policy at the Fund meeting in Washington to the effect that "it is our policy to keep the dollar firmly linked to gold at $35 an ounce." The price of gold in the world cannot be changed without the willing or forced cooperation of the United States. I am personally opposed to a change in the price of gold, unless it is part of a comprehensive plan and commitment to stop inflation in the important trading countries and restore the free convertibility of the pound sterling. By stopping inflation I mean above all no further monetizing of government debt.

Should the United States and Great Britain decide on a plan to stop inflation and restore the free convertibility of the pound, it will not only be desirable but necessary to change the price of gold. I am opposed to make-shift schemes to obtain artificial reserves as a substitute to adequate gold reserves which is the only currency universally accepted and which can be the only ultimate means of settlement. I share the belief that if the United States stopped monetizing government debt, and if the pound sterling were restored to free convertibility, a change in the price of gold to $70 an ounce would provide the free world with the necessary international reserves in gold.

The present reserves of the United Kingdom are only about 4% of the 48 billion international reserves of gold and dollars, while as I mentioned above, the pound sterling finances about 35% of the world trade. Obviously the reserves of the United Kingdom are too low for comfort and inadequate to take care of disturbances in world trade currents. British experts consider that Great Britain needs a minimum of $5 billion if the convertibility of the pound is to be restored. Even if means were found to provide the United Kingdom with a $5 billion reserve, the maintaining of a level of adequate reserves would depend primarily on the monetary discipline exercised by the British Government. There is no way of ensuring a distribution of gold reserves between countries according to a plan. Any country can acquire gold reserves if it puts its mind to it and has appropriate economic and monetary policies. It may be true, however, that it would be politically impossible and damaging to the cohesion of the British Commonwealth to attempt building up British reserves to $5 billion by the painful process of saving out of the current surplus of the United Kingdom.

Trade and Investment Policies

(b) Great Britain is also complaining about a dollar-shortage and demands with insistence that we liberalize our import policies, particularly of manufactured goods. The expression "dollar shortage" is bounced around with too little discrimination. It is hard to give credence to the existence of a world-wide pressing dollar-problem, when one discovers that foreign countries have increased their gold and dollar holdings by more than $14 billion between 1949 and the end of 1956, which represents about 90% of the foreign aid receipts during this period. However, it is true that in this period the gold and dollar reserves of the sterling area have increased but little. A close analysis of the British economy seems to indicate that Great Britain needs a minimum amount of dollars to cover the purchases in the U. S. A. and Canada, if she is not to sustain an intolerable decline in the levels of real income and employment. Hence, her insistence on obtaining dollars. These dollars she can acquire by direct sales to the United States, or from other countries in the sterling area, or elsewhere, selling raw materials or goods to the United States.

Foreign investments by the United States could also provide the free world with dollars. Great Britain was investing abroad an average of Pds. 1.6 billion in the last ten years before World War I. Conditions are, however, vastly different today, and many of the countries which could use to their great advantage foreign capital are pursuing nationalistic, narrow-minded policies inimical to foreign investments. Experts believe that the equivalent of $10 to $15 billion of American foreign investment would be necessary to do the job in the world which British investors did before World War I. I am convinced that substantial amounts of American capital could and would be invested abroad, if the countries which need foreign capital would pursue reasonable policies and would do everything which needs to be done to attract foreign investment. It is a matter of reason, good sense and good faith, all virtues which have lost their birth-right in the topsy-turvy world we are living in.

U. S. A. Remain Prosperous

(c) Last but not least, Great Britain wishes us well and demands that we be prosperous at all times. A recession or depression in the United States induces a fall of prices of the raw materials which we buy in the sterling area, and also reduces our imports, giving rise to a scarcity of dollars. This demand that we keep our economy prosperous is an invitation to a perpetual boom. If we could get such an economic paradise, without inflation which ends in a collapse and without the sacrifice of human freedom, I cannot see how anyone could be against it. But can we? This is the rub. I for one doubt that any government of a free country, however rich it may be, has the means and the know-how to ensure perpetual prosperity by monetary and fiscal policies.

I hear some people in our country saying: "We cannot afford a depression." Very frankly, I do not understand what they mean by this proposition. No one wants or likes a depression. However, a recession or a depression is only the consequence of precedent abuses of money and credit. We can't get drunk and not have a hangover. I am convinced that a so-called creeping inflation would not in the present situation of our economy prevent unemployment. Quite to the contrary it may well increase it above what a normal readjustment would require, and besides would undermine our currency. A free economy can maintain a steady level of high employment provided maladjustments are not created by abuses of credit, and provided also it is not subjected to continuous unjustified rises in wages by monopolistic unions, as is presently the case in our country.

I am seriously concerned when I see the sensitive raw commodities falling in price all over the world already for quite some time, and the wholesale prices of all goods going constantly up. The level of our wholesale prices and of the cost of living is very high and at their highest as compared with prewar, and I cannot help feeling that this is a very unsound situation, the consequence of monetary and credit mischief and of the monopolistic power of labor unions.

In the order of urgency I consider vital for the welfare of the free world and for the preservation of human freedom that international monetary order be restored and that our country liberalize its import policies. The most urgent items on the agenda of the American Government should be the vote of the Reciprocal Trade Agreement Act (with the changes requested by the United States Council of the International Chamber of Commerce) and the restoration of the free convertibility of the pound sterling. The British people have inadequate amounts of gold and dollars, but they have sterling qualities and above all they have character. If we Americans have the wisdom to provide the necessary help and if the British people have the will to take the plunge, I am convinced that the pound sterling can be restored to full convertibility.

My last Christmas card presented my wishes to my friends with the following message: "May God give us the wisdom, unselfishness and fortitude to solve our military and economic problems without sacrificing human freedom." So help us God!

$12 Million Issue of Minnesota Bonds Offered to Investors

The First National City Bank of New York and associates were awarded on Feb. 11 an issue of $12,000,000 State of Minnesota Trunk Highway bonds, due March 1, 1961 to 1977, inclusive. The group bid 100.5699 for 2½s, representing a net interest cost of 2.4485% to the State.

Reoffering of the bonds is being made at prices scaled to yield from 1.70% to 2.60%, according to maturity.

Other members of the offering syndicate include: Northern Trust Company of Chicago; Continental Illinois National Bank and Trust Co.; Kuhn, Loeb & Co.; Glore, Forgan & Co.; Northwestern National Bank of Minneapolis; Marine Trust Company of Western New York; First National Bank of Portland, Ore.; Shearson, Hammill & Co.; and G. H. Walker & Co.

Goodbody Branch

FT. WORTH, Texas—Goodbody & Co. has opened a branch office in the Fort Worth Club Building, under the management of Arthur I. Roberts.

Chicago Analysts to Hear

CHICAGO, Ill.—The Investment Analysts Society of Chicago will hold its luncheon meeting on Feb. 13 in the Adams Room of the Midland Hotel. W. A. Wecker, President of the Marquette Cement Manufacturing Company, will be speaker.

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What's Happening in Labor?

seems to be a general mood of toughness in employer ranks, generated in part by slack business conditions and in part by a belief that the Senate hearings have cost labor most of its public support.

Even the merged labor federation is having its own internal labor problems. Its organizers have asked the National Labor Relations Board to force their bosses to recognize their union and they are getting all the classic evasions that employers have used to dodge unwelcome unions in more orthodox collective bargaining situations. The latest development is a threat to lay off half the AFL-CIO organizing staff for economy reasons. As one federation vice-president put it in a private conversation the other day: "After all, the only people they have organized since the merger are themselves."

Teamsters' Situation

The fear of unions and employers alike that the expulsion of the International Brotherhood of Teamsters would start a new civil war on the labor front has proved almost totally unfounded. Almost the only place there have been reprisals by the teamsters has been in situations involving the Retail Clerks International Association, and the feud involving that union began long before the ouster.

Truthfully the teamsters are a union with no one at the steering wheel. Dave Beck is waiting to go to jail and Jimmy Hoffa seems convinced that the Government will never let up till it gets him in jail, too. This business of sitting around courtrooms, knowing that if one beats this rap there will be another and another to face is a type of torture that even a man as tough as Hoffa cannot withstand for long. The conviction of Johnny Dio and Johnny McNamara and other old Hoffa lieutenants simply accentuates the sense of doom that hangs over the whole teamster high command.

Hal Gibbons, Hoffa's braintruster, has a shaky hold on the St. Louis joint council as a result of a palace revolution by some of the Hoffa supporters in his area. His fate is interesting because he is in many ways the Walter Reuther of the teamsters—a longhair in a bunch of pug-uglies—and the author of all the literature so ardently circulated by the Hoffa forces that Reuther was their real enemy. Now he himself may be on his way out, instead of taking over the presidency when and if Hoffa went to jail.

In this city, with its 125,000 teamsters, the anti-Hoffa forces are hopeful they can knock out Johnny O'Rourke as president of the Joint Council in the annual elections next month. Elsewhere the trend seems to be strongly back toward the old local baronies that used to assert their will so inexorably in their own regions with no concern for the dictates of Dan Tobin or the international office. The end result of all the purges may be a reversal of the whole trend toward centralization and national bargaining that began with Dave Beck and was carried forward so aggressively by Jimmy Hoffa.

In the meantime the federation is quietly dropping the teamsters from state and city central bodies, but doing nothing to foster secession movements. With drift replacing decision in the top teamster councils, the AFL-CIO may decide to go on the offensive somewhat more vigorously, but I would be inclined to doubt it.

Strike Prospects

The 1958 strike total may well prove the heaviest in the Eisenhower era. However, there is no chance it will even remotely approach the 116,000,000 man-days of lost work time recorded in 1946, the first postwar year. Last year's 13,000,000 man-days of strike loss represented only one-tenth of 1% of available work time. This was equal to two hours in an entire year for the average worker, or less time than many workers devote to coffee breaks in a single week.

The probability is that this year's total will be under one-half of 1%, as against the 1.4% figure for 1946. Needless to say, the relatively microscopic nature of this ratio does not provide a basis for complacency about the economic waste entailed. Tiny strikes in strategic areas can cause intense hardship, and certainly any step back toward a slugging out of labor-management differences is to be deplored.

But labor peace achieved through collusion at the expense of the public or through the surrender by labor or management of basic rights is destructive of true industrial democracy — indeed, of democracy itself. I hope I will not be considered an advocate of class warfare if I suggest that in too many instances we carry our deification of stability in industrial relations to a point that stifles the free choice of workers and eventually provokes such discontent that we wind up with chaos as the fruit of our prized stability.

Labor Stability—A Means or End

Now all of us have read with admiration the splendid series of monographs issued some years ago by the National Planning Association on "The Causes of Industrial Peace." And, of course, one of the cardinal themes through the entire series is the idea that a strong, secure union is one of the requisites for a productive, harmonious relationship.

This is a virtuous notion, and one that has given rise to many, many constructive associations of great benefit to workers, owners and the community. But occasionally the application of this maxim becomes the vehicle for keeping workers chained to a union that has lost their confidence. When that happens the catalogue of evil perpetrated in the name of stability can become terrifying.

We have recently had a sample of that in the New York City subway system. The practitioners were men of intelligence and good will, schooled in the best tenets of liberal labor philosophy and actuated by a sincere belief that the road to efficient, strike-free operation of the city's underground lifeline lay in the extension to the dominant union of transit workers of the maximum sense of security.

Yet in the application of that philosophy these well-intentioned administrators found themselves descending from one noisome device to a worse one in an attempt to stifle employee uprisings against the union to which they had accorded monopoly representation on the strength of a showing four years ago that it had the backing of an overwhelming majority of all the subway employees.

The end result was a record reminiscent of the worst turned up by the LaFollette Committee in its inquiry into union-busting techniques in private industry two decades ago—the bugging of union offices (something new since Pearl Bergoff's day), the employment of full-time labor spies, the jailing of strike leaders, the payment of bribes to strikebreakers.

These actions, aimed at rebels against an established union, drew no protest from the official agencies of organized labor. On the contrary, the full force of these agencies was concentrated on shoring up the established union, even though a new election raised substantial doubt that a majority of the workers still wanted it as their spokesman.

Do Unions Belong to Workers?

It is not my purpose to argue the rights or wrongs of the entire episode from the standpoint of the public interest or even the material welfare of the subway workers. What concerns me is whether we are not getting away from the concept that George Meany stresses so often and so well — namely, that unions are workers' organizations. They belong to the workers, not the workers to them.

The merger of the AFL-CIO was in a rather fundamental sense founded on a negation of that principle. The essence of the no-raiding pact, the key instrument in bringing about unity two years ago, was the idea that no union could take members from another without its consent, no matter how eager the members themselves might be to secede.

In so far as this meant there would be no inter-union piracy, it was, of course, wholesome. But to the extent that it meant there was no way out for workers dissatisfied with the kind of representation they were getting, it was a full turn from the old Wagner Act principle that workers were entitled to be represented by organizations of their own selection.

Meany, whose adherence to the free choice principle is both genuine and profound, has made it clear that he is no worshipper of per capita income or monumental membership totals. He took the lead in forcing out of the Federation the biggest of all its affiliates, the International Brotherhood of Teamsters, on charges of racket control. He has made it equally emphatic that the ban on raiding does not prevent AFL-CIO unions from affording sanctuary to workers seeking to escape sellout contract by exploiters still operating under Federation charters. But this, as we have seen, is only part of the answer. Some excellent agreements cover a rank and file in open rebellion against their officials.

Reorganize the Organized

I think the greatest need of our unions today is an imaginative crusade to reorganize the organized. With million-member unions, highly centralized leadership, union shop requirements, automatic dues checkoff and long-term wage contracts, the remoteness of the worker from any sense of ownership of his organization is bound to be substantial. This is true even where the union administration tries energetically to build up a sense of meaningful participation, a belief by the member that what he thinks and what he wants is important.

I am not unaware of the difficulty of getting the rank and file to exercise the privileges of industrial democracy. Nor am I insensitive to the fear of many union leaders and industrialists that too active interest by the membership may bring forward demagogues and factionalists to upset the orderly processes of industrial democracy. I think these dangers are far less than those involved in a worsening of the trend toward bureaucratic collusion, with all its anti-public and anti-worker overtones.

Unless unions can do a better job of demonstrating that they possess the enthusiastic support of their members, it may become necessary to mandate that they undergo a periodic test of their right to retain exclusive bargaining rights through new certification elections under government auspices. Too many unions are doing their organizing these days solely by organizing employers.

Need Internal Democracy

If a re-emphasis on democracy means some temporary and limited upsurge in labor strife, it is a price we can afford to pay as an alternative to a drift into the cynical and ingrown relations that characterize a growing number of top-level relations today. Without any strikes, we are blacking out almost half our potential steel production now through the voluntary closing down of furnaces for lack of demand at current prices. Most other basic industries are running at 15 to 25% below capacity. If we can lose this flow of finished goods and raw material with scarcely an outcry as part of an economic "readjustment," a transitory rise in strikes will not cripple us, painful as it will prove to those immediately involved.

In the end a democratic understanding and support by workers for their unions and for the decisions their unions make is a much better foundation for responsibility and stability than an entrenched position built on collusive relations at the upper levels of union and management. The creation of sound internal democracy is a task no less urgent than the uprooting of corruption, the combating of inflation or the restoration of full employment.

My own faith that the job can be done has been sustained by visits I made in the last few weeks to two remarkable institutions of union service. One was the school run by Local 3 of the International Brotherhood of Electrical Workers on what used to be a millionaire's estate near Southampton, L. I., to teach its members how to think. The other was the recreation center the New York Joint Board of the Amalgamated Clothing Workers maintains for its retired members atop the Sidney Hillman Health Center on 16th Street. In both I found unionists in whom the ardor of the pioneer was wedded to an awareness that sobriety was a necessary handmaiden of power.

Theirs was a concept of unionism that went beyond the cash register. Without that concept all the laws Congress may pass and all the ethical practices codes labor drafts for its own self-control will be of little avail. It is time for all of us—labor reporters, arbitrators, professors of industrial relations, personnel executives, technicians and union officials—take stock of the cliches by which we have lived for 20 years and see how many of them need recasting to guard against the corrosion of moral values that attends too much of labor relations today.

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The State of Trade and Industry

18,391 trucks the past week. The corresponding week in 1957 provided 147,163 cars and 22,957 trucks, while the totals for the week before were 104,359 and 18,355.

Following January production of 489,357 passenger cars, 24% fewer than January, 1957, which stood at 641,591 units, "Ward's" declared that manufacturing this month is projected at 440,000 units, or a decline of 23% from February, 1957's 570,650 units.

"Ward's" declared that rising dealer inventories and a mild sales climate are dictating the slow production pace, which may see car output in the first quarter of 1958 slip to the lowest level since 1952.

Last week's 3,706-unit rise in car production resulted primarily from more normal operation at Plymouth, which was hindered in the previous week by a body shortage. De Soto also contributed to the rise, where walkouts interrupted assembly the week before and Studebaker-Packard, which returned to five-day production the past week after being idle all of the prior week.

Steel Operations Scheduled This Week at 90.2% of Ingot Capacity

Metalworking's profits will dip in the first quarter, but the outlook is for a less gloomy full year, "Steel" magazine reported on Monday of this week.

The metalworking weekly pointed out that our economy is in the midst of the most sluggish February in four years, following the worst Januray in the same period. March promises to be a little better but not enough to lift the first quarter above mediocrity at best.

The first quarter dip will be due to weak demand, mounting labor costs, high material costs, rising service charges, boosted shipping charges, price competition, soaring research and development costs and high inventories.

The second three months of 1958 could bring some improvement. A gradual uptrend should begin around mid-year for most firms because of a pickup in demand, retirement of inefficient facilities, use of more efficient equipment, better inventory balance, greater defense expenditures, lower interest rates, steady construction and high electrical sales.

Numerous industry reports now coming in covering November and December indicate that the greatest portion of the recession is behind us, "Steel" added.

A few companies had record earnings in 1957, but the majority saw their profit margins narrow substantially. Two out of three steelmakers reported lower earnings in 1957 than in 1956, despite the 1956 strike.

One steel company economist believes that the drastic changes in the past few months were caused by such a simple thing as a general shift in inventory policy. That is one explanation for the deep decline in steelmaking operations, a temporary suspension of buying by many consumers.

During the week ended Feb. 9, steelworks operations dropped one point below the previous week. Furnaces operated at 54% of capacity, producing about 1,450,000 net tons of steel.

Running counter to the steel production trend, scrap prices moved upward rather sharply last week. "Steel's" composite on No. 1 heavy melting at $37.33 a gross ton was up $1.83 from the previous week.

"Steel" pointed out that capacity growth figures show that the largest gains in steelmaking capacity last year were made in the Mid-Atlantic and Cleveland districts at 13.7% and 13% respectively. All other districts registered increases of 2 to 9%, with the exception of the New England district which had a loss of 28.8%.

The American Iron and Steel Institute announced that the operating rate of steel companies, having 96.1% of the steel-

making capacity for the entire industry, will be an average of 90.2% of capacity for the week beginning Feb. 10, 1958, equivalent to 1,449,000 tons of ingot and steel for castings (based on average weekly production for 1947-1949) as compared with an actual rate of 90.7% of capacity, and 1,457,000 tons a week ago.

Actual output for the week beginning Feb. 3, 1958 is equal to 54.0% of the utilization of the January 1, 1958 annual capacity of 149,742,570 net tons.

For the like week a month ago the rate was 95.7% and production 1,538,000 tons. A year ago, the actual weekly production was placed at 2,501,000 tons, or 155.7%.

Index of production is based on average weekly production for 1947-1949.

Electric Output Advanced in Latest Week

The amount of electric energy distributed by the electric light and power industry for the week ended Saturday, Feb. 8, 1958, was estimated at 12,289,000,000 kwh., according to the Edison Electric Institute.

For the week ended Feb. 8, 1958, output increased 51,000,000 kwh. above that of the previous week and 270,000,000 kwh. or 2.2% above that of the comparable 1957 week and increased by 946,000,000 kwh. above that of the week ended Feb. 11, 1956.

Car Loadings Fell 241 Cars Under Preceding Week

Loadings of revenue freight for the week ended Feb. 1, 1958, were 241 cars below the preceding week, the Association of American Railroads reports.

Loadings for the week ended Feb. 1, 1958, totaled 550,426 cars, a decrease of 97,546 cars, or 15.1% below the corresponding 1957 week and a decrease of 130,563 cars, or 19.2% below the corresponding week in 1956.

Auto Output Registered a 27% Cut in Opening Week of February Under Like 1957 Period

Automotive production for the week ended Feb. 7, 1958, according to "Ward's Automotive Reports," advanced, but car output for the opening week in February dipped 27% under the level of a year ago.

Last week's car output totaled 108,065 units and compared with 104,359 (revised) in the previous week. The past week's production total of cars and trucks amounted to 126,456 units, or an increase of 3,742 units above that of the precednig week's output, states "Ward's."

Last week's car output advanced above that of the previous week by 3,706 cars, while truck output rose by 36 vehicles during the week. In the corresponding week last year 147,163 cars and 22,957 trucks were assembled.

Last week the agency reported there were 18,391 trucks made in the United States. This compared with 18,355 in the previous week and 22,957 a year ago.

Canadian output last week was placed at 133,721 cars and trucks. In the previous week Dominion plants built 130,961 cars and trucks and for the comparable 1956 week 179,776 cars and trucks.

Lumber Shipments Declined 4.1% Below Output in Week Ended Feb. 1, 1958

Lumber shipments of 483 reporting mills in the week ended Feb. 1, 1958, were 4.1% below production, according to the National Lumber Trade Barometer. In the same period new orders were 4.5% below production. Unfilled orders amounted to 28% of stocks. Production was 2.6% above; shipments 1.8% below and new orders were 10.0% below the previous week and 5.3% above the like week in 1956.

Business Failures Rose to a New Postwar High The Past Week

Commercial and industrial failures climbed to a new postwar high of 342 in the week ended Feb. 6 from 326 in the preceding week, Dun & Bradstreet, Inc., reported. At the highest level since April 1940, casualties were considerably heavier than the 287 a year ago and the 326 in 1956. Also, failing businesses exceeded by 8% the 318 recorded in the similar week of 1939.

Liabilities of $5,000 or more were involved in 297 of the week's casualties as against 285 in the previous week and 250 last year. Among small failures with liabilities under $5,000, there was a mild rise to 45 from 41 a week ago and 37 in the comparable week of 1957. Forty-one concerns succumbed with liabilities in excess of $100,000, rising from 32 last week.

Wholesale Food Price Index Edged Slightly Lower the Past Week

The wholesale food price index, compiled by Dun & Bradstreet, Inc., fell slightly from the previous week to $6.47, a change of 0.8%. The index was 5.5% higher than the $6.13 of the similar date a year ago.

Higher in price last week were corn, rye, oats, lard, tea and cocoa. Flour, wheat, barley, potatoes, milk, cottonseed oil, eggs, hams, steers, hogs, bellies, beef and lambs were all down in price.

The index represents the sum total of the price per pound of 31 raw foodstuffs and meats in general use and its chief function is to show the general trend of food prices at the wholesale level.

Wholesale Commodity Price Index Held Close to Previous Week

After rising slightly at the beginning of the week, the general commodity price level finished close to that of a week earlier. The daily wholesale commodity price index stood at 276.21 (1930-32=100) on Feb. 3, compared with 276.65 a week earlier and 294.87 on the comparable date a year ago.

Movements of grain prices were mixed during the week. Futures prices on corn and soybeans hit new lows for the season and ended moderately below those of the previous period. Increased buying helped strengthen wheat prices. Orders were stimulated by the introduction of bills in the Senate and the House of Representative to require Government support of wheat at $2 a bushel through 1958. This compared with a previous proposal that it be supported at $1.78 a bushel. While rye prices advanced somewhat last week, wholesale costs of oats equalled those of a week earlier.

There was a slight rise in rice buying and prices held steady. An increase in inquiries occurred from Cuba, the Philippines, Pakistan and Ceylon. Flour prices dipped moderately as trading lagged. Flour receipts at New York railroad terminals amounted to 28,885 sacks, with 1,010 for export and 27,875 for domestic use.

Wholesalers reported a slight decline in raw sugar futures prices and transactions were sluggish. Although purchases improved appreciably, cocoa prices slipped somewhat. Coffee prices in the cash market fell slightly, and sales remained unchanged.

Although trading rose noticeably at the beginning of the week, prices on hides fell appreciably at the end of the period. Rubber futures prices moved up as volume improved. The call for burlap expanded substantially but prices weakened.

Increased buying of steers helped prices continue close to those of a week earlier. Cattle receipts were down slightly from the prior week and were the lowest for any full week in over two months. Wholesalers in Chicago reported a noticeable decline in hog prices, as trading lagged. Hog receipts somewhat exceeded those of the prior week, but were below comparable year ago levels. Although the buying of lambs slackened during the week, prices were unchanged from a week earlier. A slight rise in lard prices occurred and volume improved moderately.

Although they declined moderately at the beginning of the week, cotton futures prices rose noticeably at the end of the period and closed slightly higher than in the previous week. The rise was attributed to the growing belief that no new legislation would be enacted in time to affect the 1958 cotton crop.

In the period ended on Tuesday of last week exports of cotton were estimated at 195,000 bales, compared with 187,000 bales a week earlier and 209,000 bales in the similar week last year. For the season to date exports were estimated at 2,874,000 bales, as against 3,666,000 bales last season.

There was a slight rise in trading in cotton gray goods, with principal gains in print cloths and broadcloths. Prices were unchanged from the prior week. Bookings in woolens and worsteds were close to those of a week earlier.

Trade Volume Eased Somewhat in Latest Week

Many retailers discontinued clearance sales promotions last week and consumer buying slipped somewhat below that of a week earlier. While sales of Winter apparel slackened, increased interest in some Spring lines prevailed. Volume in major appliances, furniture and new and used passenger cars improved somewhat during the week.

The total dollar volume of retail trade in the period ended on Wednesday of last week was from 2% below to 2% higher than a year ago, according to spot estimates collected by Dun & Bradstreet, Inc. Regional estimates varied from the comparable 1957 levels by the following percentages: Middle Atlantic States +2 to +6%; West North Central and East South Central 0 to +4%; West South Central —1 to +3%; New England, South Atlantic and Mountain —2 to +2%; East North Central and Pacific Coast States —4 to 0%.

The opening of the Western Home Goods Market in San Francisco last week noticeably stimulated wholesale buying of furniture and floor coverings. Best-sellers were metal dinette sets, some case goods and upholstered chairs. Attendance at the New England Curtain and Drapery Show was high and volume slightly exceeded that of a year ago. While bookings in air conditioners and deep freeze units lagged during the week, a slight increase in the call for gas ranges and automatic dishwashers occurred.

Orders in Women's Spring apparel continued to rise slightly during the week. Slight year-to-year gains occurred as retailers prepared for an earlier Easter selling season. Buyers were primarily interested in Spring dresses, coats and fashion accessories. The call for men's lightweight suits and sportswear was close to that of the similar 1957 week, but interest in boys' summer apparel faltered.

Trading in some textile markets improved the past week. A moderate gain from a week earlier in bookings in broadcloths and print cloths occurred, offsetting sluggish activity in other cotton gray goods. While transactions in woolens and carpet wool expanded somewhat, volume in worsteds remained close to that of the prior week. Over-all volume in industrial fabrics and man-made fibers was unchanged. Mid-Atlantic dyers and finishers reported a slight decline in incoming orders.

News of freezing weather in Florida encouraged the buying of canned citrus fruit and frozen juice concentrates last week. There was a slight gain in trading in fresh meat and some dairy products, but interest in poultry and fresh produce dipped somewhat.

Department store sales on a country-wide basis as taken from the Federal Reserve Board's index for the week ended Feb. 1, 1958, declined 2% below the like period last year. In the preceding week, Jan 25, 1958, a decrease of 3% was reported. For the four weeks ended Feb. 1, 1958 a decrease of 1% was reported. For the period Jan. 1, 1958 to Feb. 1, 1958 no change was recorded over that of 1957.

Retail trade sales volume in New York City the past week ranged from 2% below to 5% above that of the like period in 1957, trade observers, estimated.

Inclement weather during the week made it somewhat difficult at this time to ascertain the week's probable performance.

According to the Federal Reserve Board's index, department store sales in New York City for the weekly period ended Feb. 1, 1958 increased 9% above that of the like period last year. In the preceding week, Jan. 25, 1958 an increase of 2% was reported. For the four weeks ended Feb. 1, 1958, an increase of 4% was registered. For the period Jan. 1, 1958 to Feb. 1, 1958 an increase of 4% was registered above that of the corresponding period in 1957.

Wm. C. Hurter Joins Keystone Custodian

BOSTON, Mass. — William C. Hurter, former Vice-President and Director of Standish, Ayer & McKay, Inc., has joined the Bond Department of Keystone Custodian Funds, according to an announcement by Ora C. Roehl, Keystone's Vice-President in charge of research.

Mr. Hurter was associated with the investment banking firm of R. L. Day & Co., for six years prior to joining Standish, Ayer & McKay, Inc., in 1953.

St. Louis Mun. Dealers To Hold Spring Party

ST. LOUIS, Mo.—The St. Louis Municipal Dealers Group will hold their annual spring party on May 1st and 2nd.

J. A. Hillen Opens

LAKE GEORGE, N. Y.—J. A. Hillen is conducting an investment business from offices on Bolton Road.

Form Nat'l Capital

DAYTON, Ohio—National Capital, Inc. has been formed with offices at 6075 Shady Oak Street to engage in a securities business. Leaton E. Jenkins is President and Treasurer. He was formerly with Remmele-Johannes & Co.

Lentz, Newton Branch

SAN ANTONIO, Texas—Lentz, Newton & Co. has opened a branch office at 900 Northeast Military Drive under the direction of Harold J. Sigler.

Cleveland Analysts to Hear

CLEVELAND, Ohio — At the meeting of the Cleveland Society of Security Analysts on Feb. 19, J. L. Atwood, President of North American Aviation, will be speaker.

On March 5 Thurston P. Blodget of Tri-Continental Corporation, will address the group in place of Jerome A. Raterman of Monarch Machine Tool Co. who was previously scheduled.

With Mountain States

(Special to THE FINANCIAL CHRONICLE)

DENVER, Colo. — Everett P. Richards, Paul K. Scheibner and William B. Wilson are now with Mountain State Securities Corporation, Denver Club Building.

Tower Securities Adds

(Special to THE FINANCIAL CHRONICLE)

DENVER, Colo. — Marvin C. Goldberg has been added to the staff of Tower Securities Corporation, Boston Building.

With Norman Dacey

(Special to THE FINANCIAL CHRONICLE)

BRIDGEPORT, Conn. — Athanasios Loter is now affiliated with Norman F. Dacey & Associates, Bridgeport, Conn.

Securities Now in Registration

★ INDICATES ADDITIONS SINCE PREVIOUS ISSUE
● ITEMS REVISED

Allen (Walter H.) Co., Inc.
Nov 4 (letter of notification) $150,000 of 10-year 6% unsecured debentures, due Nov. 1, 1967, to be offered to stockholders. **Price**—At par (in units of $1,000). **Proceeds**—For construction of a new addition to present building. **Office**—6210 Denton Drive, Dallas, Texas. **Underwriter**—None.

American European Securities Co.
Jan. 15 filed 76,563 shares of common stock being offered to holders of outstanding common on the basis of one new share for each 6 shares held of record Feb. 3; rights to expire on Feb. 19. **Proceeds**—For investment purposes. **Price**—$26 per share. **Office**—Jersey City, N. J. **Underwriter**—None.

American Life & Casualty Insurance Co.
Dec. 3 filed 101,667 shares of common stock (par $1) to be offered for subscription by common stockholders at the rate of one new share for each two shares held; unsubscribed shares to be offered to public. **Price**—$10 per share. **Proceeds**—For capital and surplus accounts. **Office**—Fargo, N. D. **Underwriter**—None.

American Mutual Investment Co., Inc.
Dec. 17 filed 490,000 shares of capital stock. **Price**—$10.20 per share. **Proceeds**—For investment in first trust notes, second trust notes and construction loans. Company may develop shopping centers and build or purchase office buildings. **Office** — 900 Woodward Bldg., Washington, D. C. **Underwriter** — None. Sheldon Magazine, 1201 Highland Drive, Silver Spring, Md., is President.

American Provident Investors Corp.
Feb. 15, 1957, filed 50,000,000 shares of common stock (par one cent). **Price** — $2 per share. **Proceeds** — For working capital and general corporate purposes. **Office**—Dallas, Tex. **Underwriter**—Peoples Securities Co., J. D. Grey, of New Orleans, John S. Tanner, of Dallas, and C. L. Edmonds, of Houston, three of the 22 directors, are Chairman, Vice-Chairman and President, respectively.

● **American Telephone & Telegraph Co.**
Dec. 31 filed $718,313,000 of 4¼% convertible debentures due March 12, 1973 (convertible into common stock, beginning May 12, 1958, at a price of $142, representing $100 debenture and $42 cash) being offered for subscription by stockholders of record Jan. 24, 1958 at rate of $100 principal amount of debentures for each nine shares held; rights to expire on March 12, 1958. **Price**—100% of principal amount. **Proceeds** — For advances to subsidiary and associated companies; for purchase of stock offered for subscription by such companies; for extensions, additions and improvements to company's own plant and for general corporate purposes. **Underwriter**—None. Statement effective Jan. 17.

★ **Amsterdam (City of), The Netherlands (2/25)**
Feb. 5 filed $15,000,000 of 15-year sinking fund dollar bonds due March 1, 1973. **Price** — To be supplied by amendment. **Proceeds**—To be added to loan funds of the City. **Underwriter**—White, Weld & Co., New York.

Anderson Electric Corp.
Dec. 23 (letter of notification) 14,700 shares of class B common stock (par $1). **Price**—$12 per share. **Proceeds**—To go to selling stockholders. **Office** — 700 N. 44th Street, Birmingham, Ala. **Underwriters** — Cruttenden, Podesta & Co., Chicago, Ill.; and Odess, Martin & Herzberg, Inc., Birmingham, Ala.

★ **Ardes Copper Mining Co.**
Feb. 6 (letter of notification) 6,277 shares of class B capital stock to be offered to stockholders at rate of one share of class B stock for each six shares of capital stock (par $14) held as of Feb. 21, 1958; rights to expire about March 11. **Price** — At par ($35 per share). **Proceeds**—To pay outstanding obligations to Anaconda Co., the parent, for funds advanced. **Underwriter** — None.

Anita Cobre U. S. A., Inc., Phoenix, Ariz.
Sept 30 filed 85,000 shares of common stock. **Price**—At par ($3.75 per share). **Proceeds**—For investment in subsidiary and working capital. **Underwriter**—Selected Securities, Inc., Phoenix, Ariz.

★ **Arapohoe Mining & Uranium Corp.**
Feb. 3 (letter of notification) $275,000 of 6% convertible debentures to be offered in denominations of $100 (debentures are convertible at rate of one common share (par $1) for each $100 debenture). **Price**—At par. **Proceeds** — For mining and milling expenses. **Office** — Farmers Union Building, Denver 3, Colo. **Underwriter**—None.

● **Atlas Sewing Centers, Inc., Miami, Fla.**
Jan. 6 filed $1,500,000 6½% convertible subordinated debentures, due 1973. **Price**—100% and accrued interest. **Proceeds**—To increase inventories, expansion, and reduce bank debt. **Underwriter**—Van Alstyne, Noel & Co., New York. **Offering**—Expected in about two weeks.

★ **Baltimore Gas & Electric Co. (3/3)**
Feb. 7 filed $30,000,000 of first refunding mortgage sinking fund bonds due 1993. **Proceeds**—To repay bank loans and for construction program. **Underwriter**—For bonds, to be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; White, Weld & Co. and The First Boston Corp. (jointly); Harriman Ripley & Co. Inc. and Alex. Brown & Sons (jointly); Kuhn, Loeb & Co. **Bids** — Expected to be received up to 11:30 a.m. (EST) on March 3.

★ **Bankers Management Corp., Houston, Texas (3/11)**
Feb. 10 filed 400,000 shares of common stock (par 25 cents). **Price**—$1 per share. **Proceeds**—To reduce outstanding indebtedness and for working capital. **Underwriter**—McDonald, Holman & Co., Inc., New York.

Barton Distilling Co., Chicago, Ill. (2/17-21)
Jan. 28 filed $1,000,000 of secured notes due Oct. 1, 1962 (with warrants attached to purchase whiskey warehouse receipts. **Price**—To be supplied by amendment. **Proceeds**—To repay short-term bank loans of $400,000 and for working capital. **Underwriter**—Fulton Reid & Co., Inc., Cleveland, Ohio.

Blacksmith Shop Pastries Inc., Rockport, Mass.
Sept. 17 (letter of notification) $100,000 of 6½% debentures dated Sept. 16, 1957 and due Sept. 15, 1972 and 40,000 shares of capital stock (par $1) to be offered in units of one $50 debenture and 20 shares of capital stock. **Price**—$90 per unit. **Proceeds**—To retire mortgage notes and for working capital. **Underwriter**—Mann & Gould, Salem, Mass.

Bridgeport & Port Jefferson Steamboat Co.
Jan. 30 (letter of notification) 30,000 shares of common stock (par $5) to be offered for subscription by common stockholders of record Dec. 31, 1957 at the rate of three new shares for each two shares held. **Price**—$10 per share. **Proceeds**—To construct new vessel. **Offices**—Port Jefferson, N. Y.; and Bridgeport, Conn. **Underwriter**—None.

● **Cador Production Corp., Far Hills, N. J.**
Dec. 16 filed 1,680,000 shares of common stock (par five cents), of which 1,600,000 shares are to be offered in exchange for oil properties located in Oklahoma, Texas, New Mexico, Louisiana, Kansas and elsewhere; the remaining 80,000 shares are to be issued as commissions. **Underwriter**—Cador, Inc., Far Hills, N. J. Statement effective Feb. 6.

California Electric Power Co. (2/27)
Jan. 23 filed $12,000,000 of first mortgage bonds due 1988. **Proceeds**—To repay bank loans and for construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp.; Kidder, Peabody & Co.; White, Weld & Co. **Bids**—Expected to be received up to 9 a.m. (PST) on Feb. 27 at offices of O'Melveny & Myers, Room 900, 433 So. Spring St., Los Angeles 13, Calif.

Camoose Uranium Mines of America, Inc.
Jan. 9 filed 3,000,000 shares of common stock (1 cent par), all owned by Camoose Mines Ltd., which is in liquidation and has equivalent amount of stock outstanding (1 cent par). When registration statement becomes effective, Camoose Mines will issue as a liquidating dividend, on a share-for-share basis, the 3,000,000 Canadian Uranium Mines shares it owns. **Office**—New York City. **Underwriter**—None.

★ **Campbell Soup Co., Camden, N. J.**
Feb. 4 filed $7,500,000 of participations in company's Employee Savings and Stock Bonus Plan, together with 200,000 shares of capital stock which may be purchased pursuant to said plan.

Central Illinois Public Service Co. (2/25)
Jan. 29 filed $15,000,000 of first mortgage bonds, series G, due Feb. 1, 1988. **Proceeds**—To repay bank loans and for construction program. **Underwriter** — To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Eastman Dillon, Union Securities & Co. and Equitable Securities Corp. (jointly); Kuhn, Loeb & Co. and A. C. Allyn & Co. Inc. (jointly); Salomon Bros. & Hutzler; Blair & Co., Inc.; Blyth & Co., Inc., Kidder, Peabody & Co. and Merrill Lynch, Pierce, Fenner & Beane (jointly). **Bids**—Expected to be received up to 11 a.m. (CST) on Feb. 25.

Central Mortgage & Investment Corp.
Sept. 12 filed $5,000,000 of 20-year mortgage bonds and 500,000 shares of common stock (par five cents) to be offered in units of $100 of bonds and 10 shares of stock **Price**—$100.50 per unit. **Proceeds**—For purchase of first mortgages or to make first mortgage loans and for construction business. **Office**—Miami Beach, Fla **Underwriter**—Aetna Securities Corp., New York. **Offering**—Date indefinite.

● **Chenango & Unadilla Telephone Co. (2/19)**
Jan. 29 filed 20,000 shares of common stock (par $20) to be offered for subscription by common stockholders of record about Feb. 18, 1958 on basis of one new share for each 5.28 shares held; rights to expire about March 6. **Price**—To be supplied by amendment. **Proceeds**—To repay short-term bank loans and for additions and improvements. **Underwriters** — W. E. Hutton & Co., New York; and Laird, Bissell & Meeds, Wilmington, Del. Unsubscribed shares are expected to be publicly offered about March 10.

Chess Uranium Corp.
May 14 (letter of notification) 600,000 shares of common stock (par $1—Canadian) **Price**—50 cents per share (U. S. funds). **Proceeds**—For exploration costs, etc **Office**—5616 Park Ave., Montreal, Canada. **Underwriter**—Jean R. Veditz Co., Inc., 160 Broadway, New York.

Cleveland Electric Illuminating Co. (2/25)
Jan. 8 filed $30,000,000 first mortgage bonds due in 1993. **Proceeds**—Retire bank loans in amount of $9,500,000 and for construction program. Latter, for 1958, calls for $65,000,000 outlay, and over next five years total is approximately $280,000,000. **Underwriter**—To be determined by competitive bidding. Probable bidders—Halsey, Stuart & Co. Inc.; Blair & Co., Inc. and Baxter, Williams & Co. (jointly); Glore, Forgan & Co.; Blyth & Co., Inc.; The First Boston Corp.; White, Weld & Co.; Dillon Read & Co. Inc. **Bids**—Expected to be received up to 11 a.m. (EST) on Feb. 25 at 55 Public Square, Cleveland 1, Ohio.

★ **Columbia Gas System, Inc. (3/6)**
Feb. 7 filed $30,000,000 of 25-year debentures due 1983. **Proceeds**—For construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co.; Morgan Stanley & Co.; Merrill Lynch, Pierce, Fenner & Beane and White, Weld & Co. (jointly). **Bids**—Tentatively expected up to 11 a.m. (EST) on March 6.

Commerce Oil Refining Corp.
Dec. 16 filed $25,000,000 of first mortgage bonds due Sept. 1, 1968, $20,000,00 of subordinated debentures due Oct. 1, 1968 and 3,000,000 shares of common stock to be offered in units as follows: $1,000 of bonds and 48 shares of stock and $100 of debentures and nine shares of stock. **Price**—To be supplied by amendment. **Proceeds** — To construct refinery. **Underwriter**—Lehman Brothers, New York. **Offering**—Indefinite.

● **Consolidated Cuban Petroleum Corp.**
Dec. 30 filed 500,000 shares of common stock (par 20 cents) to be offered for subscription by common stockholders on the basis of one new share for each four shares held. **Price**—To be supplied by amendment. **Proceeds** — For exploration activities and capital expenditures. **Office**—Havana, Cuba. **Underwriter**—H. Kook & Co., Inc., New York. Statement expected to be announced.

Consumer Finance Corp. of America
Dec. 27 filed $800,000 of 6½% capital notes due Feb. 1, 1973 (with detachable class A common stock purchase warrants). **Price** — 100% and accrued interest. **Proceeds**—To reduce bank loans and for working capital. **Change in Name**—Formerly People's Finance Corp. **Office**—Denver, Colo. **Underwriters**—Paul C. Kimball & Co., Chicago, Ill.

Continental Mining & Oil Corp.
Dec. 9 (letter of notification) 250,000 shares of common stock (par 10 cents). **Price**—$1 per share. **Proceeds**—For mining expenses. **Office**—1500 Massachusetts Avenue, N. W., Washington, D. C. **Underwriter**—E. L. Wolf Associates, 1511 K St., N.W., Washington, D. C.

★ **Counselors Research Fund, Inc., St. Louis, Mo.**
Feb. 5 filed 100,000 shares of capital stock, (par one cent). **Price**—At market. **Proceeds**—For investment. **Underwriter** — Counselors Research Sales Corp., St. Louis. Robert H. Green is President.

Cubacor Explorers, Ltd.
Oct. 28 (letter of notification) 600,000 shares of common stock (par $1-Canadian). **Price**—50 cents per share-U. S. funds. **Proceeds** — For exploration and drilling costs. **Office** — Suite 607, 320 Bay St., Toronto, Ont., Canada. **Underwriter**—Stratford Securities Co., Inc., 135 Broadway, New York. **Offering**—Postponed indefinitely.

Daybreak Uranium, Inc., Opportunity, Wash.
Jan. 29 filed 1,156,774 shares of common stock (par 10 cents), of which 630,000 shares are to be offered for account of company and 526,774 shares for selling stockholders. **Price**—At market. **Proceeds**—For exploration and drilling costs and other corporate purposes. **Underwriter**—Herrin Co., Seattle, Wash.

★ **Denning, (Charles) Ltd., Sag Harbor, N. Y.**
Feb. 6 (letter of notification) 500 shares of common stock (par $1). **Price**—$320 per share. **Proceeds**—For the purchase of additional production machinery and general corporate purposes. **Underwriter**—None.

★ **Diapulse Manufacturing Corp. of America**
Jan. 29 (letter of notification) 150,000 shares of common stock (par 10 cents). **Price**—$2 per share. **Proceeds**—For general corporate purposes. **Office**—276 Fifth Ave., New York, N. Y. **Underwriter**—None.

Disc, Inc., Washington, D. C.
Oct. 10 filed 400,000 shares of class A common stock (par $1). **Price**—$2.50 per share. **Proceeds**—For investment. **Business**—Purchase and development of real property, and acquisition of stock of business enterprises. **Underwriter**—None. Irving Lichtman is President and Board Chairman.

Dixon Chemical & Research, Inc.
Dec. 24 filed 165,625 shares of common stock (par $1) to be offered for subscription by common stockholders at the rate of one new share for each four shares held. **Price**—To be supplied by amendment. **Proceeds**—For expansion and general corporate purposes. **Office**—Clifton, N. J. **Underwriter**—P. W. Brooks & Co., Inc., New York. **Offering**—Not expected before March 1.

Ex-Cell-O Corp., Detroit, Mich.
Nov. 25 filed 88,000 shares of common stock (par $3) to be offered in exchange for common stock of Bryant Chucking Grinder Co. of Springfield, Va., at rate of four-tenths of an Ex-Cell-O share for each full Bryant share. Offer will become effective upon acceptance by holders of not less than 209,000 shares (95%) of all common stock of Bryant outstanding. **Underwriter**—None.

Expanded Shale Products Inc., Denver, Colo.
Jan. 29 filed 60,000 shares of common stock (par $1) and $180,000 of 6% callable unsubordinated unsecured debenture notes due 1960-1964 to be offered in units of $600 of notes 200 shares of stock. **Price**—$1,000 per unit. **Pro-**

ceeds—For construction of plant, working capital and other corporate purposes. **Underwriter**—Minor, Mee & Co., Albuquerque, N. M.

★ Famous Virginia Foods Corp.
Jan. 30 (letter of notification) 16,900 shares of common stock (par $5) and 390 common stock purchase warrants to be offered in units of 30 shares of stock and one warrant. **Price**—$500 per unit. **Proceeds**—For equipment and working capital. **Office**—922 Jefferson St., Lynchburg, Va. **Underwriter** — Whitney & Co., Inc., Washington, D. C.

Famous Virginia Foods Corp.
Nov. 6 (letter of notification) 5,000 shares of common stock. **Price**—$6.67 per share. **Proceeds**—To selling stockholder. **Office**—922 Jefferson St., Lynchburg, Va **Underwriter**—Whitney & Co., Inc., Washington, D. C.

★ Fidelity Capital Fund, Inc., Boston, Mass.
Feb. 6 filed 20,000 shares of capital stock, of which 10,000 shares were previously sold privately and the balance is to be offered to a limited number of investors. **Price**—$10 per share. **Proceeds**—For investment. **Underwriter**—The Crosby Corp., Boston, Mass.

★ Fidelity Trend Fund, Inc., Boston, Mass.
Feb. 6 filed 20,000 shares of capital stock, of which 10,000 shares were previously sold privately and the balance is to be offered to a limited number of investors. **Price**—$10 per share. **Proceeds**—For investment. **Underwriter**—the Crosby Corp., Boston, Mass.

★ First Idaho Corp.
Feb. 3 (letter of notification) $290,000 of 15-year 6% sinking fund convertible income debenture bonds and 29,000 shares of common stock (par one cent) to be offered in units of 10 shares of common stock and $100 of bonds. **Price**—$100.10 per unit. **Proceeds**—For the purchase and sale of securities. **Office** — 2419 State Street, Boise, Idaho. **Underwriter**—None.

First International Fire Insurance Co.
Aug. 26 (letter of notification) 100,000 shares of common stock (par $1). **Price** — $3 per share. **Proceeds** — For capital and surplus and for first year's deficit. **Office**—3395 S. Bannock St., Englewood, Colo. **Underwriter** — American Underwriters, Inc., Englewood, Colo.

First Leaseback Corp., Washington, D. C.
Nov. 27 filed 500,000 shares of class A common stock (par five cents). **Price** — $5 per share. **Proceeds** — To purchase properties. **Underwriter** — Whitmore, Bruce & Co., Washington, D. C.

Fluorspar Corp. of America
Dec. 26 filed 470,000 shares of common stock. **Price**—$3 per share. **Proceeds**—For exploration work and working capital. **Office**—Portland, Ore. **Underwriter**—To be named by amendment. Sol Goldberg is President.

NEW ISSUE CALENDAR

February 12 (Wednesday)
Red Owl Stores, Inc.------**Debentures**
(Lehman Bros., J. M. Dain & Co. and Piper, Jaffray & Hopwood) $3,500,000

February 13 (Thursday)
Indiana & Michigan Electric Co.------**Bonds**
(Bids noon EST) $25,000,000
Southwest Gas Corp.------**Common**
(Eastman Dillon, Union Securities & Co.) 40,000 shares

February 17 (Monday)
Barton Distilling Co.------**Notes**
(Fulton, Reid & Co., Inc.) $1,000,000
Southwestern Virginia Gas Co.------**Debentures**
(C. T. Williams & Co., Inc.; John W. Yeaman; and Bioren & Co.) $125,000

February 18 (Tuesday)
General Motors Acceptance Corp.------**Debentures**
(Morgan Stanley & Co.) $150,000,000
Gulf States Utilities Co.------**Preferred**
(Bids 11 a.m.) $7,500,000
Montreal Transportation Commission--**Debentures**
(Shields & Co., Halsey, Stuart & Co., White, Weld & Co., and Savard & Hart) $13,500,000
Niagara Mohawk Power Co.------**Preferred**
(Harriman Ripley & Co. Inc.) $25,000,000
Tenney Engineering, Inc.------**Common**
(Milton D. Blauner & Co., Inc.; Hallowell, Sulzberger & Co.; and Michael G. Kletz & Co., Inc.) $297,999

February 19 (Wednesday)
Chenango & Unadilla Telephone Co.----**Common**
(Offering to stockholders—underwritten by W. E. Hutton & Co. and Laird, Bissell & Meeds) 20,000 shares
Norfolk & Western Ry. ------ **Equip. Trust Ctfs.**
(Bids noon EST) $3,960,000
Spur Distributing Co.------**Common**
(Bids 11 a.m. EST) 73,039 shares

February 20 (Thursday)
Gulf Power Co.------**Bonds**
(Bids 11 a.m. EST) $8,000,000
New York State Electric & Gas Co.------**Bonds**
(Bids 11 a.m. EST) $25,000,000
Northern Illinois Gas Co------**Preferred**
(First Boston Corp. and Glore, Forgan Co., jointly) $10,000,000

February 24 (Monday)
Forest Laboratories, Inc.------**Common**
(Alfred L. Powell & Co. and H. Carroll & Co.) $500,000
Pennsylvania Electric Co.------**Bonds**
(Bids 11 a.m EST) $29,000,000

February 25 (Tuesday)
Amsterdam (City of), The Netherlands-----**Bonds**
(White, Weld & Co.) $15,000,000
Central Illinois Public Service Co.------**Bonds**
(Bids 11 a.m. CST) $15,000,000
Cleveland Electric Illuminating Co.------**Bonds**
(Bids 11 a.m. EST) $30,000,000

February 26 (Wednesday)
Potomac Electric Power Co.------**Preferred**
(Dillon, Read & Co. Inc. and Johnston, Lemon & Co.) $15,000,000
South Carolina Electric & Gas Co.------**Common**
(Offering to stockholders—to be underwritten by Kidder, Peabody & Co., Inc.) 369,694 shares
Southern New England Telephone Co.----**Debens.**
(Bids 11 a.m. EST) $30,000,000
United Gas Corp.------**Bonds**
(Bids noon EST) $30,000,000

February 27 (Thursday)
California Electric Power Co------**Bonds**
(Bids 9 a.m. PST) $12,000,000

February 28 (Friday)
National Aviation Corp.------**Common**
(Offering to stockholders—no underwriting) 174,404 shares

March 3 (Monday)
Baltimore Gas & Electric Co.------**Bonds**
(Bids 11:30 a.m. EST) $30,000,000
Iowa Public Service Co.------**Bonds**
(Bids to be invited) $10,000,000
Saxon Paper Corp.------**Common**
(Milton D. Blauner & Co., Inc.) $450,000

March 4 (Tuesday)
Ohio Edison Co.------**Bonds**
(Bids to be invited) $40,000,000
Public Service Electric & Gas Co.------**Preferred**
(Merrill Lynch, Pierce, Fenner & Beane) $25,000,000

March 5 (Wednesday)
Iowa Illinois Gas & Electric Co.------**Debentures**
(Bids 11:30 a.m. EST) $9,000,000
Union Electric Co.------**Bonds**
(Bids to be invited) $35,000,000

March 6 (Thursday)
Columbia Gas System------**Debentures**
(Bids 11 a.m. EST) $30,000,000
Virginia & Southwestern RR.------**Bonds**
(Bids noon EST) $5,000,000

March 10 (Monday)
Merrimack-Essex Electric Co.------**Bonds**
(Bids noon EST) $20,000,000

March 11 (Tuesday)
Bankers Management Corp.------**Common**
(McDonald, Holman & Co., Inc.) $400,000
Indianapolis Power & Light Co.------**Bonds**
(Bids to be invited) $8,000,000 to $10,000,000

March 12 (Wednesday)
Chicago, Rock Island & Pacific RR.------**Bonds**
(Bids noon EST) $16,000,000
General Telephone Co. of California------**Bonds**
(Bids to be invited) $20,000,000

March 18 (Tuesday)
Carolina Power & Light Co.------**Bonds**
(Bids to be invited) $20,000,000

March 20 (Thursday)
Georgia Power Co.------**Bonds**
(Bids 11 a.m. EST) $24,000,000

March 25 (Tuesday)
Florida Power & Light Co.------**Bonds**
(Bids 11:30 a.m. EST) $20,000,000
New Jersey Bell Telephone Co------**Debentures**
(Bids to be invited) $30,000,000

April 16 (Wednesday)
Mississippi Power & Light Co.------**Bonds**
(Bids to be invited) $15,000,000
Sierra Pacific Power Co.------**Common**
(Offering to stockholders) 57,362 shares

April 22 (Tuesday)
Consolidated Edison Co. of N. Y. Inc.------**Bonds**
(Bids to be invited) $50,000,000

April 23 (Wednesday)
Sierra Pacific Power Co.------**Bonds**
(Bids to be invited) $3,000,000

May 5 (Monday)
Philadelphia Electric Co.------**Bonds**
(Bids to be invited) $40,000,000

May 13 (Tuesday)
United Gas Improvement Co.------**Bonds**
(Bids to be invited) $12,000,000

May 20 (Tuesday)
Illinois Power Co.------**Bonds**
(Bids to be invited) $25,000,000

June 3 (Tuesday)
Appalachian Electric Power Co.------**Bonds**
(Bids to be invited) $25,000,000

June 10 (Tuesday)
Virginia Electric & Power Co.----**Bonds or Debs.**
(Bids to be invited) $25,000,000

July 1 (Tuesday)
Florida Power Corp.------**Bonds**
(Bids to be invited) $25,000,000

Forest Laboratories, Inc. (2/24)
Aug. 28 filed 200,000 shares of capital stock (par 10 cents). **Price**—$2.50 per share. **Proceeds**—For sales promotion of company's products, working capital, additional inventory and accounts receivable, for research and development and for other general corporate purposes. **Office**—Brooklyn, N. Y. **Underwriters**—Alfred L. Powell Co., New York; and H. Carroll & Co., Denver, Colo.

Freeman Electric Construction Co., Inc.
Nov. 27 (letter of notification) 100,000 shares of common stock (par 10 cents). **Price**—$3 per share. **Proceeds**—To reduce accounts payable, etc., and for working capital and general corporate purposes. **Office** — New York. **Underwriter**—Harris Securities Corp., New York City.

General Aniline & Film Corp., New York
Jan. 14 filed 426,988 shares of common A stock (no par) and 1,537,500 shares of common B stock (par $1). Proceeds—To the Attorney General of the United States. Underwriter—To be determined by competitive bidding. Probable bidders: Blyth & Co., Inc., and The First Boston Corp. (jointly); Kuhn, Loeb & Co., Lehman Brothers and Glore, Forgan & Co. (jointly). Bids—Had been scheduled to be received up to 3:45 p.m. (EDT) on May 13 at Room 654, 101 Indiana Ave., N. W., Washington 25, D. C., but bidding has been postponed.

General Credit, Inc., Washington, D. C.
Aug. 17, 1956 filed $2,000,000 of 6% subordinated sinking fund debentures, due Sept. 1, 1971, with detachable warrants to purchase 160,000 shares of participating preference stock, to be offered in units of $500 of debentures and 40 warrants. Price—$500 per unit. Proceeds—For expansion and working capital. Underwriter—None named. Offering to be made through selected dealers. Application is still pending with SEC

● General Motors Acceptance Corp. (2/18)
Jan. 27 filed $150,000,000 of 21-year debentures due 1979. Price—To be supplied by amendment. Proceeds—For maturing debt and for purchase of receivables. Underwriter—Morgan Stanley & Co., New York. Offering—If accelerated, expected on Feb. 11.

★ General Telephone Co. of California (3/12)
Feb. 11 filed $20,000,000 of first mortgage bonds, series L, due 1988. **Proceeds**—To repay bank loans and for construction program. **Underwriter**—May be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; White, Weld & Co. and Kidder, Peabody & Co. (jointly); Paine, Webber, Jackson & Curtis and Stone & Webster Securities Corp. (jointly); Equitable Securities Corp. **Bids**—To be received on March 12.

Great Divide Oil Corp.
Oct. 11 (letter of notification) 300,000 shares of common stock (par 10 cents). Price—$1 per share. Proceeds—To pay balance on oil and gas properties, and unsecured notes and for drilling and working capital. Office—207 Newhouse Bldg., Salt Lake City, Utah. Underwriter—Birkenmayer & Co., Denver, Colo

Guardian Insurance Corp., Baltimore, Md.
Aug. 16 filed 300,000 shares of common stock, of which 200,000 shares are to be publicly offered and the remaining 100,000 shares reserved for issuance upon exercise of warrants which are to be sold at 25 cents per warrant to organizers, incorporators, management, and/or directors. Price—$10 per share. Proceeds—For working capital and general corporate purposes Underwriter—None.

Gulf Power Co. (2/20)
Jan. 24 filed $8,000,000 of first mortgage bonds due 1988. **Proceeds**—To repay bank loans and for new construction. **Underwriter** — To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Eastman Dillon, Union Securities & Co.; Kuhn, Loeb & Co.; Blyth & Co., Inc.; Lehman Brothers; Merrill Lynch, Pierce, Fenner & Beane and Salomon Bros. & Hutzler. **Bids**—To be received up to 11 a.m. (EST) on Feb. 20 at office of Southern Services, Inc., Room 1600, 250 Park Ave., New York 17, N. Y.

Gulf States Utilities Co. (2/18)
Jan. 15 filed 75,000 shares of cumulative preferred stock (par $100). **Proceeds**—To repay bank loans. **Underwriter**—To be determined by competitive bidding. Probable bidders: Stone & Webster Securities Corp.; Lehman Brothers and Equitable Securities Corp. (jointly); Kuhn, Loeb & Co.; Glore, Forgan & Co. and W. C. Langley & Co. (jointly). **Bids**—Tentatively expected to be received up to 11 a.m. (EST) on Feb. 18.

Hofmann Industries, Inc., Sinking Spring, Pa.
Dec. 20 filed 227,500 shares of common stock (par 25 cents) to be offered in exchange for outstanding common shares of Van Dorn Iron Works Co. Underwriter—None.

Home Owners Life Insurance Co.
Nov. 1 filed 50,000 shares of class A common stock to be offered to the public at $5 per share and 116,366 shares of class B common stock to be offered to stockholders at $6 per share at the rate of two new shares for each five shares held. Proceeds—For working capital. Office—Fort Lauderdale, Fla. Underwriter—None.

Horlac Mines, Ltd.
Nov. 20 (letter of notification) 300,000 shares of common stock. Price—At par ($1 per share). Proceeds—To repay loan, to purchase equipment and machinery and for working capital. Office—1551-A Eglinton Ave. West, Toronto 10, Ont., Canada Underwriter—D'Amico & Co., Inc., Buffalo, N Y

Indiana & Michigan Electric Co. (2/13)
Dec. 20 filed $25,000,000 of first mortgage bonds due 1988. **Proceeds** — For reduction of bank loans and for construction program. **Underwriter** — To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co., Inc.; Harriman Ripley & Co. Inc.; The First

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Boston Corp.; Eastman Dillon, Union Securities & Co. **Bids**—To be received up to noon (EST) on Feb. 13 at 30 Church St., New York 8, N. Y.

★ Investors Syndicate of America, Inc.
Feb. 6 filed (by amendment) an additional $25,000,000 series 15 and $75,000,000 series 20 of installment face amount certificates.

Iowa-Illinois Gas & Electric Co. (3/5)
Feb. 5 filed $9,000,000 of convertible debentures due 1968. **Proceeds** — To repay bank loans and for construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Kuhn, Loeb & Co.; Glore, Forgan & Co.; The First Boston Corp.; Harriman, Ripley & Co. Inc., Eastman Dillon, Union Securities & Co. and White, Weld & Co. (jointly); Lehman Brothers; Merrill Lynch, Pierce, Fenner & Beane; Equitable Securities Corp.; Blyth & Co. **Bids**—Expected to be received up to 11:30 a.m. (EST) on March 5.

● Iowa Public Service Co. (3/3)
Jan. 31 filed $10,000,000 of first mortgage bonds due 1988. **Proceeds**—To repay bank loans and for construction program. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co.; Eastman Dillon, Union Securities & Co. and Salomon Bros. & Hutzler (jointly); Blair & Co. Inc.; White, Weld & Co.; The First Boston Corp., Kuhn, Loeb & Co. and A. C. Allyn & Co., Inc. (jointly); Kidder, Peabody & Co. and Blyth & Co. (jointly). **Bids**—Expected to be received up to 11:30 a.m. (EST) on March 3.

Isthmus Steamship & Salvage Co., Inc.
Jan. 20 (letter of notification — as amended) 150,000 shares of common stock (par 10 cents). **Price**—$2 per share. **Proceeds**—To buy vessel and for working capital. **Office**—1214 Ainsley Bldg., Miami, Fla. **Underwriter**—Robert L. Ferman & Co., Washington, D. C.

Janaf, Inc., Washington, D. C.
July 30 filed $10,000,000 of 5½-8% sinking fund debentures due Aug. 1, 1972 and 100,000 shares of common stock (par 20 cents) to be offered in units of a $1,000 debenture and 10 shares of stock, or a $100 debenture and one share of stock. **Price**—Par for debenture, plus $2 per share for each 10 shares of Stock. **Proceeds**—For construction of a shopping center and other capital improvements; for retirement of present preferred shares; and for working capital, etc. **Underwriter**—None.

Koeller Air Products, Inc.
Nov. 25 (letter of notification) 150,000 shares of common stock (par five cents). **Price**—$2 per share. **Proceeds**—For capital expenditures, equipment, repayment of loans and working capital. **Business**—Welding and cutting equipment. **Office** — 253 Boulevard, Hasbrouck Heights, N. J. **Underwriter**—Pierre Rossini Co., Westwood, N. J.

Lefcourt Realty Corp., New York
Jan. 29 filed 250,000 shares of common stock (par 25 cents). **Price**—To be supplied by amendment. **Proceeds**—For development of property in Florida. **Underwriter**—Frank M. Cryan Co., Inc., New York.

Lorain Telephone Co., Lorain, Ohio
Dec. 13 (letter of notification) 1,785 shares of common stock (no par) to be offered for subscription by common stockholders at the rate of one new share for each 60.4364 shares held. **Price**—$28 per share. **Proceeds**—For additions and improvements. **Office**—203 West 9th St., Lorain, Ohio. **Underwriter**—None.

★ L-R Heat Treating Co., Newark, N. J.
Feb. 5 (letter of notification) 120,000 shares of common stock (par 15 cents). **Price**—$2.50 per share. **Proceeds**—To pay outstanding obligations and for working capital. **Underwriter**—Charles Plohn & Co., New York.

Matheson Co., Inc.
Jan. 17 (letter of notification) $299,000 of 6% sinking fund debentures due 1978. **Price**—Of debentures, issued in denominations $1,000 and $500. **Proceeds**—Refunding of outstanding Bonds, Debentures and increase working capital. **Office**—932 Paterson Plank Rd., East Rutherford, N. J. **Underwriters**—Mohawk Valley Investing Co. Inc., Utica, N. Y.; Security & Bond Co., Lexington, Ky.

★ Merrimack-Essex Electric Co. (3/10)
Feb. 11 filed $20,000,000 of first mortgage bonds, series C, due 1988. **Proceeds**—Together with other funds, to redeem a like amount of 5⅝% series B bonds due 1987. **Underwriter**—To be determined by competitive bidding. Probable bidders: Kidder, Peabody & Co. and White, Weld & Co., (jointly); Halsey, Stuart & Co. Inc., and First Boston Corp. **Bids**—To be opened at noon (EST) on March 10.

Mineral Basin Mining Corp.
Dec. 30 (letter of notification) 200,000 shares of common stock. **Price** — At par ($1 par value). **Proceeds** — For mining expenses. **Office** — 1710 Hoge Bldg., Seattle 4, Wash. **Underwriter**—None.

Minnesota Development Corp., Minneapolis, Minn.
Jan. 30 filed 20,000 shares of capital stock (no par). **Price**—$50 per share. **Proceeds**—For general corporate purposes. **Underwriter**—None. Walter M. Ringer, Sr., of Minneapolis, Minn., is President.

★ Minot Builders Supply Association
Feb. 3 (letter of notification) 109 shares of capital stock. **Price**—At par ($1,000 per share). **Proceeds**—For working capital. **Office**—1667 Snelling Ave., North, St. Paul, Minn. **Underwriter**—None.

● Montreal Transportation Commission (2/18-19)
Jan. 29 filed $13,500,000 of sinking fund debentures due Feb. 15, 1978 (guaranteed by City of Montreal). **Price**—To be supplied by amendment. **Proceeds**—To purchase new autobuses, construct new garage and for improvements and new equipment. **Underwriters**—Shields & Co.; Halsey, Stuart & Co. Inc.; White, Weld & Co.; and Savard & Hart; all of New York.

Motel Co. of Roanoke, Inc., Roanoke, Va.
Nov. 18 (letter of notification) 60,000 shares of common stock (par 40 cents). **Price**—$5 per share. **Proceeds**—For purchase of land, construction and working capital. **Underwriter**—Southeastern Securities Corp., New York.

Motel Corp. of Italy
Jan. 14 filed 20,000 shares of class A common stock and 10,000 shares of 7% cumulative convertible preferred, to be sold publicly at a unit price of $101, representing one share of preferred and two shares of common. **Proceeds**—To be invested in the stock of Motels Americano, an Italian organization. **Office**—Silver Springs, Maryland. **Underwriter**—None.

Multnomah Canadian Fund, Ltd., Vancouver, B. C.
Jan 31 filed 1,000,000 shares of class A common stock (par $1). **Price**—At market. **Proceeds**—For investment. **Business**—Investment company, with Spencer R. Collins of Eugene, Ore., as President.

Multnomah Kennel Club, Fairview, Ore.
Dec. 26 filed $250,000 of 10% unsecured debentures and 400,000 shares of class A non-voting common stock (par $1) to be offered in units of $250 of debentures and 400 class A shares. **Price** — $910 per unit. **Proceeds** — To repay bank loans and short-term unsecured notes. **Underwriter** — Stone, Moore & Co., Inc.; Denver, Colo. **Offering**—Expected early in February.

Municipal Investment Trust Fund, Inc. (N. Y.)
May 9 filed 5,000 units of undivided interests in Municipal Investment Trust Fund, Series A. **Price**—At market. **Proceeds**—For investment. **Sponsor**—Ira Haupt & Co., New York.

★ National Aviation Corp., New York (2/28)
Feb. 7 filed 174,404 shares of capital stock to be offered for subscription by stockholders of record Feb. 27, 1958 at rate of one new share for each four shares held. **Price**—To be supplied by amendment. **Proceeds**—For investments. **Underwriter**—None.

National Biochemicals, Inc.
Sept. 10 (letter of notification) 100,000 shares of common stock (par 10 cents). **Price**—$3 per share. **Proceeds**—For cost of plant and inventory and for general corporate purposes. **Office**—Room 202 Houston Title Bldg., Houston, Tex. **Underwriter**—Scott Taylor & Co., Inc., New York, N. Y.

National Bowlero, Inc., Cleveland, O.
Dec. 4 filed $900,000 of 5% 10-year debenture bonds, 9,000 shares of 4% non-cumulative preferred stock (par $100) and 15,000 shares of common stock (par $10) to be offered in units of $9,000 of bonds, 90 shares of preferred stock and 150 shares of common stock. **Price**—$19,500 per unit. **Proceeds**—For erection and operation of two bowling sports centers. **Underwriter**—None. William N. Skirball is President.

Natural Gas Pipeline Co. of America
Nov. 19 filed $40,000,000 of first mortgage pipeline bonds due 1977. **Price**—To be supplied by amendment. **Proceeds** — To reduce bank loans. **Underwriters** — Dillon, Read & Co. Inc. and Halsey, Stuart & Co. Inc., both of New York. **Offering**—Temporarily postponed.

★ Nebraska Consolidated Mills Co.
Feb. 6 (letter of notification) 25,000 shares of common stock to be offered to stockholders at the rate of one new share for each 16 shares held. Rights will expire March 15, 1958. **Price**—At par ($10 per share). **Proceeds**—For working capital. **Office** — 1521 North 16th St., Omaha 10, Neb. **Underwriter**—None.

New York State Electric & Gas Co. (2/20)
Jan. 24 filed $25,000,000 of first mortgage bonds due 1988. **Proceeds**—To repay bank loans and for construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Kidder, Peabody & Co. and Salomon Bros. & Hutzler (jointly); Blyth & Co., Inc.; The First Boston Corp. and Glore, Forgan & Co. (jointly); Harriman Ripley & Co. Inc. **Bids**—Tentatively scheduled to be received by this company up to 11 a.m. (EST) on Feb. 20.

Niagara Mohawk Power Corp. (2/18)
Feb. 3 filed 250,000 shares of cumulative preferred stock (par $100). **Price**—To be supplied by amendment. **Proceeds**—To repay short-term notes and for construction program. **Underwriter**—Harriman Ripley & Co. Inc., New York.

Nichols, Inc., Exeter, N. H.
Nov. 14 filed 25,000 shares of common stock (no par). **Price**—$27 per share. **Proceeds**—To repay short term bank loans and for working capital. **Business** — Sells hatching eggs and day-old chicks. **Underwriter**—None. George E. Coleman, Jr., is President.

North American Contracting Corp.
Dec. 27 (letter of notification) 169,500 shares of common stock (par 10 cents). **Price**—$1.75 per share. **Proceeds**—For working capital and expansion. **Office**—1526 Connecticut Ave., N. W. Washington 6, D. C. **Underwriters**—The Matthew Corp., Washington, D. C. and Ross Securities, Inc., New York, N. Y.

Northern Illinois Gas Co. (2/20)
Jan. 31 filed 100,000 shares of cumulative preferred stock (par $100). **Price**—To be supplied by amendment. **Proceeds**—For property additions and improvements. **Underwriters** — The First Boston Corp. and Glore, Forgan & Co., both of New York.

Nuclear Science & Engineering Corp.
Sept. 20 filed 100,000 shares of common stock (par 25 cents). **Price**—To be supplied by amendment. **Proceeds**—To prepay indebtedness to Norden-Ketay Corp., to purchase additional equipment and for working capital. **Underwriter**—Hayden, Stone & Co., New York. **Offering**—Temporarily postponed because of market conditions.

★ Ohio Edison Co. (3/4)
Feb. 6 filed $40,000,000 of first mortgage bonds due 1988. **Proceeds**—To repay bank loans, etc. and for new construction. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan, Stanley & Co.; First Boston Corp.; Glore, Forgan & Co.; White, Weld & Co. and Eastman Dillon, Union Securities & Co. (jointly). **Bids** — Expected on March 4.

Oil & Mineral Operations, Inc.
Nov. 4 (letter of notification) 100,000 shares of common stock (par $1). **Price**—$2.50 per share. **Proceeds**—For development of oil and mineral properties. **Office**—208 Wright Bldg., Tulsa, Okla. **Underwriter**—Universal Securities Co., 201 Enterprise Bldg., Tulsa 3, Okla.

Pennsylvania Electric Co. (2/24)
Jan. 16 filed $29,000,000 first mortgage bonds, due March 1, 1988. **Proceeds**—To be used, along with proceeds of previously-authorized sale of 500,000 shares of common stock to parent company, for repayment of short-term notes issued to finance 1957 construction program and to pay part of $41,500,000 construction outlay scheduled for 1958. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp. and Harriman Ripley & Co. Inc. (jointly); Equitable Securities Corp.; Kidder, Peabody & Co., Merrill Lynch, Pierce, Fenner & Beane, Eastman Dillon, Union Securities & Co. and White, Weld & Co. (jointly). **Bids**—Tentatively scheduled to be received up to 11 a.m. (EST) on Feb. 24.

Peoples Security Investment Co.
Oct. 28 filed 1,000,000 preorganization subscriptions to class A voting common stock and 250,000 preorganization subscriptions to class B non-voting common stock to be offered in units of four class A shares and one class B share, the purchaser agreeing to donate each class B share to the Peoples Security Foundation for Christian Education, to be incorporated as a non-profit corporation. **Price**—$2 per share. **Proceeds** — For capital and surplus to finance a proposed insurance company to be named Peoples Security & Endowment Co. of America. **Office** — Montgomery, Ala. **Underwriter** — None. T. J. Patterson is President.

Pittsburgh Brewing Co., Pittsburgh, Pa.
Nov. 15 filed $5,646,750 of 5% sinking fund income subordinated debentures due Oct. 31, 1992; 112,935 shares of common stock (par $1); and 451,740 warrants to purchase 451,740 additional shares of common stock being offered in units of $50 of debentures, one common share, warrants to purchase four common shares plus $1 in cash. These units are to be issued in exchange for each outstanding share of preferred stock (par $25) plus accrued dividends. The offer will expire on Jan. 31, 1958. **Purpose**—To eliminate or reduce preferred dividend arrearages. **Underwriter**—None. Statement effective Dec. 13.

Pleasant Valley Oil & Mining Corp.
Sept. 30 (letter of notification) 2,000,000 shares of common stock. **Price**—At par (five cents per share). **Proceeds** — For geological studies, reserve for contingent liability, for machinery and equipment and other reserves. **Office** — 616 Judge Bldg., Salt Lake City, Utah. **Underwriter**—Steven Randall & Co., Inc., New York.

★ Potomac Electric Power Co. (2/26)
Feb. 5 filed 300,000 shares of preferred stock (par $50). **Price**—To be supplied by amendment. **Proceeds**—To repay bank loan and for new construction. **Underwriters**—Dillon Read & Co. Inc., New York, and Johnston, Lemon & Co., Washington, D. C.

Premier Pharmaceutical Corp., Buffalo, N. Y.
Jan. 29 filed 100,000 shares of 6% preferred stock (par $10) and 100,000 shares of common stock (par $1) to be offered in units of one share of each class of stock. **Price**—$11 per unit. **Proceeds**—To build or lease plant, for new equipment and for working capital and other corporate purposes. **Underwriter**—Girard Securities, Inc., Buffalo, N. Y.

Professional Life & Casualty Co., Champaign, Ill.
Dec. 16 filed 120,000 shares of common stock. **Price**—$15 per share. **Proceeds**—To increase capital and surplus. **Underwriter**—None.

Public Service Electric & Gas Co. (3/4)
May 29 filed 250,000 shares of cumulated preferred stock (par $100). **Price**—To be supplied by amendment. **Proceeds**—To repay bank loans and for new construction. **Underwriter** — Merrill Lynch, Pierce, Fenner & Beane, New York. Negotiations to sell these securities were discontinued last June because of unsettled market conditions at that time, but have now been resumed.

Public Savings Life Insurance Co.
Nov. 29 filed 113,000 shares of common stock (par 50 cents). **Price**—To be supplied by amendment. **Proceeds**—To Public Savings Insurance Co., the selling stockholder. **Office**—Charleston, S. C. **Underwriter**—None.

● Red Owl Stores, Inc.
Jan. 20 filed $3,500,000 of convertible subordinated debentures due 1978. **Price**—To be supplied by amendment. **Proceeds**—For expansion program. **Underwriters**—Lehman Brothers; J. M. Dain & Co., Inc.; and Piper, Jaffray & Hopwood. **Offering**—Expected today Feb. 13.

Reichhold Chemcials, Inc.
Oct. 10 filed 200,000 shares of common stock (par $1). **Price**—To be supplied by amendment. **Proceeds**—For expansion program and working capital. **Underwriter**—Blyth & Co., Inc., New York. **Offering**—Postponed temporarily.

Resolute Bay Trading Co., Ltd.
Oct. 29 (letter of notification) 30,000 shares of common stock. **Price**—At par ($5 per share). **Proceeds**—For working capital, etc. **Business**—Purchase and sale of commodities. **Office**—St. John, N. B., Canada. **Underwriter**—Irving Weis & Co., New York.

Resolite Corp., Zelienople, Pa.
Dec. 6 filed 20,000 shares of common stock to be offered for subscription by stockholders of record Dec. 1, 1957 in the ratio of 3½ new shares for each 10 shares held; unsubscribed shares to be offered to public. **Price**—$10 per share. **Proceeds**—To pay $100,000 outstanding obligations and for improvement and rehabilitation of plant and facilities. **Business**—Fiberglass panels. **Underwriter**—None.

Rocky Mountain Quarter Racing Association
Oct. 31 (letter of notification) 300,000 shares of common stock. **Price**—At par ($1 per share). **Proceeds**—To repay outstanding indebtedness. **Office** — Littleton, Colo. **Underwriter**—R. B. Ford Co., Windover Road, Memphis, Tenn.

Saxon Paper Corp., New York (3/3)
Jan. 31 filed 112,500 shares of common stock (par 25 cents). **Price** — $4 per share. **Proceeds** — Working capital. **Underwriter**—Milton D. Blauner & Co., Inc., New York.

Schering Corp., Bloomfield, N. J.
Sept. 19 filed 278,983 shares of 5% cumulative convertible preferred stock (par $30) and 418,475 shares of common stock (par $1) to be issued in exchange for stock of White Laboratories, Inc. (which is to be merged with Schering Corp. effective Sept. 19, 1957) on the basis of one share of preferred stock and 1½ shares of common stock for each White class A or class B common share held. **Underwriter**—None.

Scientific Industries, Inc.
Dec. 27 (letter of notification) $120,000 6% convertible sinking fund debentures, due Feb. 1, 1968, convertible, except as provided in case of redemption, into common stock (5 cent par value) at a price of $1 per share. **Price**—At par. **Proceeds** — For expansion of plant in the manufacture of laboratory and scientific instruments and to build up company's new electronics division. **Office** — 15 Park St., Springfield, Mass. **Underwriter** — Willis E. Burnside & Co., Inc., New York City.

Sentinel Security Life Insurance Co.
Nov. 27 filed 5,000 shares of common stock (par $10). **Price**—To be supplied by amendment. **Proceeds**—For working capital. **Office**—Salt Lake City, Utah. **Underwriter**—None.

● **"Shell" Transport & Trading Co., Ltd.**
Dec. 20 filed a maximum of 817,720 of New York Shares (representing a like amount of ordinary shares) being offered for subscription by holders of ordinary shares, including stock represented by New York shares of record Jan. 17, 1958, on a 1-for-10 share basis; rights to expire March 3. This represents 10% of the total offering by the company, which 10% is being offered for subscription by American residents. **Price**—5 pounds, ten shillings; $15.40 at current official exchange rate. **Proceeds** — For exploration programs. **Underwriter** — None in the United States. Statement effective Jan. 20.

Sheraton Properties, Inc., Boston, Mass.
Dec. 30 filed $990,000 of first mortgage sinking fund bonds due Dec. 1, 1973. **Price**—At par. **Proceeds**—To repay indebtedness. **Underwriter** — Sheraton Securities Corp., a subsidiary.

● **Shopping Centers Corp., Pittsburgh, Pa.**
Dec. 17 filed 50,000 shares of common stock (par $2.50) and $2,500,000 of debenture bonds to be offered in units of one share of stock and one $50 bond. **Price**—$52.65 per unit. **Proceeds** — For construction, ownership and management of shopping centers, luxury hotels and other commercial property. **Underwriter** — None. Offering to be made through Akiba Zilberberg, 5857 Phillips Ave. Pittsburgh 19, Pa., the company's President. Statement effective Feb. 5.

Simplicity Pattern Co. Inc.
Oct. 10 filed 155,000 shares of common stock (par $1). **Price**—To be supplied by amendment. **Proceeds**—To two selling stockholders. **Underwriter**—Merrill Lynch, Pierce, Fenner & Beane, New York. **Offering** — Indefinitely postponed.

● **South Carolina Electric & Gas Co. (2/26)**
Feb. 4 filed 369,694 additional shares of common stock (par $4.50) to be offered for subscription by common stockholders of record Feb. 26 on basis of one new share for each 10 shares held (with an oversubscription privilege); rights to expire about March 12. **Price**—To be supplied by amendment. **Proceeds**—To repay bank loans and for new construction. **Underwriter** — Kidder, Peabody & Co., New York.

Southern Electric Steel Co.
Dec. 23 (letter of notification) $300,000 of 6% second mortgage serial bonds (with common stock purchase warrants). **Price**—At par (in denominations of $1,000 each). **Proceeds**—For payment of demand notes payable and working capital. **Office**—2301 Huntsville Road, Birmingham, Ala. **Underwriter**—None.

Southern New England Telephone Co. (2/26)
Feb. 4 filed $30,000,000 of 33-year debentures due March 1, 1991. **Proceeds**—To repay advances from American Telephone & Telegraph Co. and for additions and improvements to property. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co.; White, Weld & Co. and Kidder, Peabody & Co. (jointly); Lehman Brothers and Salomon Bros. & Hutzler (jointly); The First Boston Corp.; Merrill Lynch, Pierce, Fenner & Beane. **Bids**—Scheduled to be received up to 11 a.m. (EST) on Feb. 26 at Room 2315, 195 Broadway, New York, N. Y.

Southern Oxygen Co.
Jan. 20 filed $1,500,000 convertible subordinated debentures due in 1968. **Proceeds**—Purchase of equipment and new capital. **Price**—To be supplied by amendment. **Underwriter**—Johnston, Lemon & Co., Washington, D. C. **Offering**—Expected this week.

Southwest Gas Corp
Jan. 22 filed 40,000 shares of common stock (par $1). **Price**—To be supplied by amendment. **Proceeds**—To repay short-term bank loans and for construction program. **Underwriter** — Eastman Dillon, Union Securities & Co., New York. **Offering**—Expected today (Feb. 13).

Southwest Grease & Oil Co., Inc.
Jan. 17 (letter of notification) 35,290 shares of common stock (par $7.50) to be offered for subscription by common stockholders about Feb. 3 on a 1-for-4 basis. **Price**—$7.75 per share. **Proceeds**—For the acquisition of Battenfeld Grease & Oil Corp. **Office** — 220 W. Waterman St., Wichita, Kan. **Underwriters** — Small-Milburn Co.; Lathrop, Herrick & Clinger, Inc.; and Brooks & Co. of Wichita, Kan. and Barret, Fitch, North & Co., Kansas City, Mo.

★ **Southwestern Virginia Gas Co. (2/17)**
Jan. 31 (letter of notification) $125,000 of 6% convertible debentures due Jan. 1, 1983. **Price**—99% of principal amount. **Proceeds**—To retire bank loans and for working capital. **Office**—1014 Fidelity Bldg., Baltimore 2, Md. **Underwriters**—C. T. Williams & Co., Inc., Baltimore 1, Md.; John W. Yeaman, Martinsville, Va.; and Bioren & Co., Philadelphia, Pa.

Sovereign Resources, Inc.
Nov. 19 (letter of notification) 1,500 shares of 7% cumulative preferred stock. **Price**—At par ($100 per share). **Proceeds**—For construction, payment of promissory note and working capital. **Office**—3309 Winthrop St., Fort Worth, Tex. **Underwriter**—Reilly, Hoffman & Sweeney, Inc., New York, N. Y. **Offering**—Delayed.

Stuart-Hall Co., Inc., Kansas City, Mo.
Nov. 27 filed $650,000 of 20-year 6% convertible debentures due Dec. 15, 1977. **Price**—At par (in denominations of $1,000 each). **Proceeds**—For working capital and to reduce bank loans. **Underwriter**—White & Co., St. Louis, Mo. **Offering**—Expected this week.

Tax Exempt Bond Fund, Inc., Washington, D. C.
June 20 filed 40,000 shares of common stock. **Price**—$25 per share. **Proceeds** — For investment. **Underwriter**—Equitable Securities Corp., Nashville, Tenn. **Offering**—Held up pending passing of necessary legislation by Congress.

Taylor Instrument Companies
Oct. 1 filed 99,195 shares of common stock (par $10) to be offered for subscription by common stockholders on the basis of one new share for each four shares held. **Price**—To be supplied by amendment. **Proceeds** — To retire short term bank loans and for working capital and general corporate purposes. **Office** — Rochester, N. Y. **Underwriter**—The First Boston Corp., New York. **Offering**—Indefinitely postponed.

● **Tekoil Corp., Dallas, Texas**
Dec. 9 filed a maximum of 338,507 shares of common stock, of which 48,639 are to be offered immediately to the public and 232,655 shares have been or will be distributed to stockholders of three other corporations. The remaining 57,213 shares are to be offered in the near future to the public. **Price** — To be supplied by amendment. **Proceeds**—To selling stockholders. **Underwriter**—None.

● **Tenney Engineering, Inc. (2/18)**
Jan. 29 (letter of notification) 99,333 shares of common stock (par 10 cents). **Price**—$3 per share. **Proceeds**—To repay outstanding bank loans and for general corporate purposes. **Office**—44 Harvard St., Montclair, N. J. **Underwriters**—Milton D. Blauner & Co., Inc., New York, N. Y.; Hallowell, Sulzberger & Co., Philadelphia, Pa.; and Michael G. Kletz & Co., Inc., New York, N. Y.

Tourist Industry Development Corp. Ltd.
Jan. 14 filed $2,250,000 7% perpetual subordinated debentures (4% fixed interest and 3% of earned), to be sold at par in denominations of $1,000 and multiples thereof. **Proceeds**—To acquire mortgages or other liens on real estate, also for loans to or invested in hotels, resorts or inland transport. **Office**—Jerusalem, Israel. **Underwriter**—None.

● **Town & County Securities Corp.**
Dec. 20 filed 250,000 shares of common stock (no par) **Price**—$4 per share. **Proceeds** — For working capital **Office**—442 W. California Road. Fort Wayne, Ind. **Underwriter**—None. Statement effective Feb. 5.

Trans-America Uranium Mining Corp.
Nov. 6 filed 3,000,000 shares of common stock (par one mill). **Price**—25 cents per share. **Proceeds**—For land acquisition, exploratory work, working capital, reserves, and other corporate purposes. **Underwriter**—None. Alfred E. Owens of Waterloo, Ia., is President.

Trask Manufacturing Co.
Dec. 5 (letter of notification) 15,000 shares of common stock (par $5). **Price** — $4.50 per share. **Proceeds** — For working capital and payment of current liabilities. **Address**—Wrightsboro section, 3 miles north of Wilmington, N. C. **Underwriter** — Selected Investments, Wilmington, N. C.

Ulrich Manufacturing Co.
Sept. 24 filed $600,000 of 6% sinking fund debentures and 30,000 shares of class A common stock (par $1) to be offered in units of $500 of debentures and 25 shares of stock. **Price**—To be supplied by amendment. **Proceeds**—To reduce bank loans, to repay all or part of an outstanding 5% term loan and/or provide additional working capital. **Office**—Roanoke, Ill. **Underwriter**—White & Co., St. Louis, Mo., on a best-efforts basis.

★ **Union Electric Co., St. Louis, Mo. (3/5)**
Feb. 11 filed $35,000,000 of first mortgage bonds due 1988. **Proceeds**—For improvements and additions to property. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Lehman Brothers and Bear, Stearns & Co. (jointly); White, Weld & Co., Blyth & Co., Inc., Eastman Dillon, Union Securities & Co. and Shields & Co. (jointly); the First Boston Corp. **Bids**—Expected to be received on March 5.

United Gas Corp., Shreveport, La. (2/26)
Feb. 3 filed $30,000,000 of first mortgage and collateral trust bonds due 1978. **Proceeds**—To purchase $27,000,000 of first mortgage bonds of United Gas Pipe Line Co., wholly-owned subsidiary; to purchase additional securities of Union Producing Co., another subsidiary; and for construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp., Harriman Ripley & Co. Inc. and Goldman, Sachs & Co. (jointly); Kuhn, Loeb & Co.; White, Weld & Co. and Equitable Securities Corp. (jointly). **Bids**—Tentatively scheduled to be received up to noon (EST) on Feb. 26.

United States Sulphur Corp.
Oct. 8 filed 1,500,000 shares of common stock (par one cent). **Price**—$1 per share. **Proceeds**—For plant rental, etc.; to retire corporate notes; for core drilling; for working capital; and for other exploration and development work. **Office** — Houston, Texas. **Underwriter** — None.

★ **Universal-Cyclops Steel Corp.**
Feb. 10 filed 600,153 shares of common stock (par $1). **Price**—To be supplied by amendment. **Proceeds**—To selling stockholders who are to receive said shares in exchange for their holdings of Empire Steel Corp. and Reeves Steel & Mfg. Co. common stock. **Underwriter**—None.

Uranium Corp. of America, Portland, Ore.
April 30 filed 1,250,000 shares of common stock (par 10 cents). **Price**—To be supplied by amendment (expected to be $1 per share). **Proceeds**—For exploration purposes. **Underwriter**—To be named by amendment. Graham Albert Griswold of Portland, Ore., is President.

Washington National Development Corp.
Oct. 2 (letter of notification) 50,000 shares of common stock (par $1) of which 34,280 shares are to be offered publicly at $1.20 per share and 15,720 shares are to be offered to certain individuals under options. **Proceeds**—For general corporate purposes. **Office** — 3612 Quesada St., N. W., Washington, D. C. **Underwriter**—Wagner & Co., New York City.

Western Copperada Mining Corp. (Canada)
Aug. 30 (letter of notification) 300,000 shares of common stock. **Price**—At par ($1 per share). **Proceeds**—For development and exploratory work, drilling costs and survey, and for working capital. **Office** — 1205 Phillips Square, Montreal, Canada. **Underwriter**—Jean R. Veditz Co., Inc., New York.

★ **Western Nebraska Television Inc.**
Feb. 3 (letter of notification) 6,000 shares of common stock. **Price**—At par ($50 per share). **Proceeds**—To purchase and erect equipment and building for a TV station. **Office**—1100 W. 10th St., Alliance, Neb. **Underwriter**—None.

Worldmark Press, Inc.
Dec. 20 (letter of notification) 150,000 shares of common stock (par 10 cents). **Price**—$2 per share. **Proceeds**—For working capital and general corporate purposes. **Office**—207 East 43rd Street, New York, N. Y. **Underwriter**—J. A. Winston & Co., Inc., New York.

Young (Donald W.) & Son, Inc.
Nov. 14 (letter of notification) $75,000 of 10-year 6% debentures due Oct. 1, 1967, with common stock warrants to purchase 7,500 shares of 10-cent par common stock at $1 per share. **Price**—$100 per unit of a $100 debenture and one warrant. **Proceeds**—To repay short term debt and for working capital. **Office**—Stockholm, N. Y. **Underwriter** — Sherry, Maloney & Co., Inc., New York.

Prospective Offerings

American Electronics, Inc.
Dec. 30 it was reported company plans to sell approximately $3,500,000 convertible debentures. **Underwriters**—To be determined by competitive bidding. Probable bidders: Van Alstyne, Noel & Co. and Crowell, Weedon & Co. (jointly). **Offering**—Expected in March.

Appalachian Electric Power Co. (6/3)
Dec. 2, it was reported that this company, a subsidiary of American Gas & Electric Co., plans to issue and sell $25,000,000 of first mortgage bonds. **Proceeds**—To repay bank loans and for construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp.; Kuhn, Loeb & Co. and Eastman Dillon, Union Securities & Co. (jointly); Harriman Ripley & Co. Inc. **Bids**—Tentatively expected to be received on June 3.

Associates Investment Co.
Jan. 23 it was reported company plans to issue and sell some additional debentures (amount not yet determined). **Underwriters** — Salomon Bros. & Hutzler and Lehman Brothers, both of New York. **Offering**—Expected before July 1.

Atlantic City Electric Co.
Jan. 20 it was reported company plans to issue and sell in 1958 $10,000,000 of first mortgage bonds. **Underwriter**

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—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Eastman Dillon, Union Securities & Co. and Smith, Barney & Co. (jointly); Blyth & Co., Inc.; The First Boston Corp. and Drexel & Co. (jointly); White, Weld & Co. and Shields & Co. (jointly).

Boston Edison Co.
Jan. 27 it was reported company may issue and sell in the second or third quarter of this year some additional first mortgage bonds and preferred stock. **Proceeds**—To repay bank loans and for construction program. **Underwriter**—For bonds to be determined by company, with prospective bidders including Halsey, Stuart & Co. Inc.; The First Boston Corp.; White, Weld & Co.; Lehman Brothers and Harriman Ripley & Co. Inc. (jointly). For preferred stock, The First Boston Corp., New York.

Brooklyn Union Gas Co.
Nov. 25 it was announced that company expects to issue and sell $22,000,000 of first mortgage bonds next April or May. **Proceeds**—To repay bank loans and for construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Lehman Brothers; Blyth & Co., Inc., and F. S. Moseley & Co. (jointly); Merrill Lynch, Pierce, Fenner & Beane; Harriman Ripley & Co. Inc. and The First Boston Corp. (jointly); White, Weld & Co.

Carolina Power & Light Co. (3/18)
Jan. 22 it was announced that company plans to issue and sell $20,000,000 of first mortgage bonds due 1988. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Kidder, Peabody & Co. and Merrill Lynch, Pierce, Fenner & Beane (jointly); Lehman Brothers; Blyth & Co., Inc.; W. C. Langley & Co. and The First Boston Corp. (jointly); Equitable Securities Corp. **Bids**—Tentatively scheduled to be received on March 18.

Central Hudson Gas & Electric Corp.
Jan. 22 it was reported company plans to issue and sell in June or July 1958 $18,000,000 of first mortgage bonds. This may be done privately.

Central Illinois Light Co.
Jan. 22 it was announced stockholders will vote March 27 on increasing the authorized preferred stock (par $100) from 250,000 shares to 500,000 shares. **Underwriter**—Eastman Dillon, Union Securities & Co., New York.

Chicago District Pipeline Co.
Nov. 12 it was announced company plans to sell about $5,000,000 of first mortgage bonds sometime after the turn of the year. **Proceeds**—To repay advances made by Peoples Gas Light & Coke Co., the parent. **Underwriters**—Probably Dillon, Read & Co. Inc. and Halsey, Stuart & Co. Inc.

Chicago Rock Island & Pacific RR. (3/12)
Jan. 28 it was announced company plans to issue and sell $16,000,000 first mortgage bonds due 1983. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co.; Eastman Dillon, Union Securities & Co. and Blyth & Co. (jointly); First Boston Corp.; Kuhn, Loeb & Co. **Bids**—To be received up to noon (EST) on March 12.

Cincinnati Gas & Electric Co.
Nov. 8 it was reported company plans in 1958 to sell about $15,000,000 of first mortgage bonds. **Proceeds**—To repay bank loans and for construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co. and W. E. Hutton & Co. (jointly); Blyth & Co. Inc. and The First Boston Corp. (jointly); Merrill Lynch, Pierce, Fenner & Beane and Lehman Bros. (jointly); Eastman Dillon, Union Securities & Co. and White, Weld & Co. (jointly).

Citizens & Southern National Bank of Savannah, Ga.
Jan. 15 it was reported Bank plans to offer to its stockholders the privilege of subscribing for 100,000 additional shares of capital stock in about 60 days. **Underwriter**—None.

Columbus & Southern Ohio Electric Co.
Dec. 9 it was reported company plans to issue and sell in 1958 about 250,000 shares of common stock. **Underwriters** — Dillon, Read & Co. Inc. and The Ohio Co. (jointly).

Consolidated Edison Co. of N. Y., Inc. (4/22)
Jan. 28 directors authorized an issue of $50,000,000 first and refunding mortgage bonds. **Proceeds**—To repay bank loans. **Underwriter**—To be determined through competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co.; The First Boston Corp. **Bids**—To be received on April 22.

Consolidated Natural Gas Co.
Company reportedly plans to issue and sell approximately $45,000,000 debentures. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co.; White, Weld & Co. and Paine, Webber, Jackson & Curtis (jointly); Morgan Stanley & Co. and First Boston Corp. (jointly).

Delaware Power & Light Co.
Jan. 22 it was reported company plans to issue and sell $10,000,000 of first mortgage bonds due 1988. **Proceeds**—To repay bank loans and for construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; White, Weld & Co. and Shields & Co. (jointly); Eastman Dillon, Union Securities & Co.; The First Boston Corp. and Blyth & Co., Inc. (jointly); Merrill Lynch, Pierce, Fenner & Beane and Kidder, Peabody & Co. (jointly). **Offering**—Expected in June.

Duquesne Light Co.
Jan. 29 it was announced company plans to sell not exceeding $15,000,000 of first mortgage bonds due 1988. **Proceeds** — To repay bank loans and for construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp.; White, Weld & Co.; Glore, Forgan & Co.; Kuhn, Loeb & Co.; Eastman Dillon, Union Securities & Co., and A. C. Allyn & Co. Inc. (jointly); Drexel & Co. and Equitable Securities Corp. (jointly). **Bids**—Tentatively expected to be received some time in April.

Florida Power Corp. (7/1)
Jan. 29 it was reported corporation plans to issue and sell $25,000,000 of first mortgage bonds due 1988. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Kidder, Peabody & Co. and Merrill Lynch, Pierce, Fenner & Smith (jointly); Lehman Brothers and Blyth & Co., Inc. (jointly); Eastman Dillon, Union Securities & Co., and Harriman Ripley & Co. Inc. (jointly); The First Boston Corp. **Bids**—Expected to be received on July 1.

Florida Power & Light Co. (3/25)
Jan. 30 it was reported company may issue and sell $20,000,000 of first mortgage bonds. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Merrill Lynch, Pierce, Fenner & Beane and Kidder, Peabody & Co. (jointly); The First Boston Corp. **Bids** — To be received up to 11:30 a.m. (EST) on March 25. **Registration**—Expected Feb. 25.

• **Georgia Power Co. (3/20)**
Feb. 10 it was announced company plans to issue and sell $24,000,000 of first mortgage bonds due 1988. **Proceeds**—To finance construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders; Halsey Stuart & Co. Inc.; Morgan Stanley & Co.; Lehman Brothers; The First Boston Corp.; Blyth & Co., Inc., Kidder, Peabody & Co. and Shields & Co. (jointly); Equitable Securities Corp. and Eastman Dillon, Union Securities & Co. (jointly). **Bids**—Scheduled to be received up to 11 a.m. (EST) on Feb. 20. **Registration**—Planned for Feb. 21.

Gulf, Mobile & Ohio RR.
Dec. 20 ICC granted company permission to issue $28,343,800 of 5% income debentures to mature Dec. 1, 2056, in exchange for the 283,438 shares of outstanding $5 preferred stock (no par) on the basis of $100 of debentures for each preferred share. Offer expires Feb. 14, 1958, but may be extended. **Underwriter**—None.

Gulf States Utilities Co.
Jan. 29 it was reported company plans to issue and sell in May $20,000,000 of first mortgage bonds. **Underwriter**—To be determined by competitive bidding. Probable bidders; Halsey, Stuart & Co. Inc.; Merrill Lynch, Pierce, Fenner & Smith and White, Weld & Co. (jointly); Salomon Bros. & Hutzler and Eastman Dillon, Union Securities & Co. (jointly); Lehman Brothers; Stone & Webster Securities Corp.; Kuhn, Loeb & Co.

Gulf States Utilities Co.
Jan. 29 it was reported company plans to issue and sell 200,000 shares of common stock. **Underwriter** — To be determined by competitive bidding. Probable bidders: Merrill Lynch, Pierce, Fenner & Smith and Lehman Brothers (jointly); Stone & Webster Securities Corp. **Bids**—Tentatively expected to be received in May.

Illinois Power Co. (5/20)
Jan. 29 it was reported company plans to issue $25,000,000 of first mortgage bonds. **Proceeds**—For construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Eastman Dillon, Union Securities & Co.; White, Weld & Co. and Merrill Lynch, Pierce, Fenner & Beane (jointly); The First Boston Corp.; Harriman Ripley & Co. Inc. **Bids**—To be received on May 20.

Indianapolis Power & Light Co. (3/11)
Jan. 6 it was announced that company expects to issue and sell $8,000,000 to $10,000,000 of first mortgage bonds. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Eastman Dillon, Union Securities & Co.; White, Weld & Co. and Shields & Co. (jointly); Blyth & Co.; Kuhn, Loeb & Co.; Lehman Brothers and Goldman, Sachs & Co. and First Boston Corp. (jointly); Equitable Securities Corp. **Bids**—Expected March 11.

Kentucky Utilities Co.
Jan. 21 it was reported company plans to issue and sell $10,000,000 of first mortgage bonds. **Proceeds**—To repay bank loans and for new construction. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Blyth & Co., Inc.; Lee Higginson Corp.; Equitable Securities Corp.; Eastman Dillon, Union Securities & Co. and Merrill Lynch, Pierce, Fenner & Beane (jointly); Kidder, Peabody & Co. and White, Weld & Co. (jointly); Kuhn, Loeb & Co. **Offering**—Expected in September or October.

Kentucky Utilities Co.
Jan. 21 it was also reported that company may offer approximately 165,000 additional shares of its common stock to its common stockholders on a 1-for-15 basis. **Underwriters**—Blyth & Co., Inc. and J. J. B. Hilliard & Son.

Litton Industries, Inc.
Dec. 14 stockholders approved the creation of an issue of 16,000 shares of $100 par preferred stock and an increase in the authorized common stock from 2,000,000 to 3,500,000 shares. **Underwriters** — Lehman Brothers and Clark, Dodge & Co. handled last equity financing which was done privately.

Louisiana Power & Light Co.
Dec. 16, it was announced company may borrow $11,500,000 from banks pending a final financing program relating to the disposition of its gas properties to Louisiana Gas Service Co., a new company.

Master Fund, Inc., Fairfield, Calif.
Jan. 27 it was announced this newly organized investment company plans to offer to bona fide residents of California 10,000 shares of capital stock (par $1). **Price**—$10 per share, less an underwriting discount of 8½%. **Proceeds**—For investment.

Missiles-Rockets-Jets & Automation Fund, Inc.
On Jan. 7 this new fund registered under the Investment Company Act of 1940. Plans to issue $15,000,000 common stock, of which $7,500,000 will be underwritten on a firm basis by Ira Haupt & Co. **Price**—$10. **Proceeds**—For investment. **Technological Advisors**—Include Dr. Theodore von Karman, Chairman of the advisory group for aeronautical research and development of NATO.

Mississippi Power & Light Co. (4/16)
Jan. 29 it was announced company plans to issue and sell $15,000,000 of first mortgage bonds due 1988. **Underwriter**—to be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Kuhn, Loeb & Co.; Equitable Securities Corp. and Shields & Co. (jointly); Blyth & Co., Inc.; Merrill Lynch, Pierce, Fenner & Beane; Eastman Dillon, Union Securities & Co., White, Weld & Co. and Kidder, Peabody & Co. (jointly); The First Boston Corp. **Bids** — Tentatively expected to be received on April 16.

New Jersey Bell Telephone Co. (3/25)
Jan. 30 the directors approved the sale of $30,000,000 debentures. **Proceeds**—To redeem a like amount of 4⅞% debentures due 1993 on or about April 28. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; White, Weld & Co. and Shields & Co. (jointly); Morgan Stanley & Co.; The First Boston Corp. **Bids**—Tentatively expected to be received on or about March 25.

• **New Orleans Public Service Inc.**
Feb. 10 it was announced company does not plan to issue and sell $6,000,000 of first mortgage bonds until the first quarter of 1959. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Lee Higginson Corp.; Equitable Securities Corp. and Eastman Dillon, Union Securities & Co. (jointly); Kidder, Peabody & Co. and Stone & Webster Securities Corp. (jointly); White, Weld & Co.; Salomon Bros. & Hutzler.

Norfolk & Western Ry. (2/19)
Bids are expected to be received by this company up to noon (EST) on Feb. 19 for the purchase from it of $3,960,000 equipment trust certificates. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler.

Northern States Power Co. (Minn.)
Jan. 13 it was reported that the company may be considering the issue and sale this Summer of about $25,000,000 of first mortgage bonds. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp. and Blyth & Co., Inc. (jointly); Merrill Lynch, Pierce, Fenner & Beane, Kidder, Peabody & Co. and White, Weld & Co. (jointly); Lehman Brothers and Riter & Co. (jointly); Equitable Securities Corp. and Eastman Dillon, Union Securities & Co. (jointly).

Oklahoma Gas & Electric Co.
Feb. 3 it was reported company plans to issue and sell $15,000,000 of bonds this year. **Underwriter**—To be determined by competitive bidding. Probable bidders: (1) For bonds—Halsey, Stuart & Co. Inc.; Equitable Securities Corp.; The First Boston Corp.; Kuhn, Loeb & Co., Merrill Lynch, Pierce, Fenner & Beane and White, Weld & Co. (jointly); Harriman Ripley & Co. Inc. and Eastman Dillon, Union Securities & Co. (jointly).

Pacific National Bank, San Francisco, Calif.
Feb. 11 stockholders were to vote on approving a proposed offer of 44,708 additional shares of common stock (par $20) to stockholders at the rate of one new share for four shares held. **Price**—$37.50 per share. **Proceeds**—To increase capital and surplus. **Underwriters** — Elworthy & Co.; Schwabacher & Co.; Davis Skaggs & Co.; Pfluger & Baerwald; and J. Barth & Co.; all of San Francisco, Calif.

Pacific Telephone & Telegraph Co.
Jan. 8 it was reported company plans $300,600,000 capital outlay program. **Proceeds**—For construction program in 1958 and 1959 ($137,000,000 in 1958). **Underwriter**—To be determined by competitive bidding. **Probable bidders**— Halsey, Stuart & Co. Inc.; Morgan Stanley & Co.

Philadelphia Electric Co. (5/5-9)
Jan. 27 it was reported company plans to issue and sell in May, subject to market conditions, $40,000,000 of first mortgage bonds due 1988. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp.; White, Weld & Co.; Morgan Stanley & Co. and Drexel & Co. (jointly). **Bids**—Expected week of May 5.

Public Service Co. of Oklahoma
Jan. 20 it was reported company plans to issue and sell in May $16,000,000 of first mortgage bonds due 1988. **Proceeds**—To repay bank loans and for construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; White, Weld & Co. and Shields & Co. (jointly); Blyth & Co., Inc.; Salomon Bros. & Hutzler; Kuhn, Loeb & Co. and Eastman Dillon, Union Securities & Co. (jointly); The First Boston Corp.; Glore, Forgan & Co.; Equitable Securities Corp.

Puget Sound Paper & Light Co.
Jan. 29, Frank McLaughlin, President, announced company plans to issue and sell $30,000,000 of first mortgage bonds. **Proceeds**—To redeem $20,000,000 of 6¼% series bonds due 1987 and to finance new construction. **Underwriter**—To be determined by competitive bidding. Prob-

able bidders: Halsey, Stuart & Co. Inc. and Lehman Brothers (jointly); Stone & Webster Securities Corp., The First Boston Corp. and Smith, Barney & Co. (jointly). **Bids**—Expected to be received in late April.

Richfield Oil Corp.
Jan. 6 it was reported that company may late in January announce its financing plans, which are not yet completed. **Underwriter** — May be Merrill Lynch, Pierce, Fenner & Beane, New York.

Riddle Airlines, Inc.
Oct. 21 it was announced company plans to register with the SEC an issue of new common stock, the number of shares and the price at which they will be offered not yet determined. The authorized common stock has been increased from 7,500,000 to 15,000,000 shares. **Proceeds**—To finance route expansion and for working capital. **Underwriter**—James H. Price & Co., Inc., Coral Gables, Fla. and New York, N. Y., handled previous public offering of 500,000 shares of common stock at $3.25 per share in July, 1956.

Sierra Pacific Power Co. (4/16)
Jan. 27 it was also reported that the company plans to offer to its common stockholders the right to subscribe for 57,362 additional shares of common stock (probably with an oversubscription privilege). **Proceeds**—For construction program. **Underwriter**—Exemption from competitive bidding to be sought. Stone & Webster Securities Corp. and Dean Witter & Co. (jointly) were only bidders for last rights offer, which was on a competitive basis.

Sierra Pacific Power Co. (4/23)
Jan. 27 it was reported company plans to issue and sell $3,000,000 of first mortgage bonds due 1988. **Proceeds**—To repay bank loans and for construction program. **Underwriter** — To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Kidder, Peabody & Co.; Stone & Webster Securities Corp. and Dean Witter & Co. (jointly). **Bids**—Tentatively scheduled to be received on April 23. **Registration** — Planned for March 25.

Southern Counties Gas Co. of California
Dec. 16 it was reported company plans to issue and sell in March, 1958, $15,000,000 of first mortgage bonds. **Underwriter** — To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Blyth & Co., Inc.; White, Weld & Co.; Merrill Lynch, Pierce, Fenner & Beane.

Southern Nevada Power Co.
Dec. 3 it was announced company plans to raise in mid-1958 between $5,000,000 and $6,000,000 new capital, about two-thirds of which will be through bond financing and the balance through common stock financing. **Underwriter**—For stock, may be Hornblower & Weeks, William R. Staats & Co. and The First California Co. (jointly). For bonds, to be determined by competitive bidding. Only bidders in 1956 for $4,000,000 bonds were Halsey, Stuart & Co. Inc.; Hornblower & Weeks and William R. Staats & Co. (jointly).

Spur Distributing Co., Nashville, Tenn. (2/19)
Bids will be received by the Attorney General of the United States, Office of Alien Property, up to 11 a.m. (EST) on Feb. 19 for the purchase from the Government of 73,039 shares of common stock (no par), which represents 55.5% of the company's issued and outstanding common stock. An offer to purchase the stock for $5,038,103 has been received by the Attorney General, who has agreed to accept such offer unless a higher acceptable bid is received.

Toledo Edison Co.
Jan. 20 it was reported company plans to issue and sell about $15,000,000 of first mortgage bonds in April or May of this year. **Proceeds**—To repay bank loans. **Underwriter**—If issue is not placed privately, underwriter may be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Equitable Securities Corp.; Eastman Dillon, Union Securities & Co.; and Salomon Bros. & Hutzler (jointly); Carl M. Loeb, Rhoades & Co.; The First Boston Corp.; White, Weld & Co.

• Tuttle Engineering, Inc., Arcadia, Calif.
Feb. 10, Leo L. Strecker, President, **announced** corporation plans issue and sale in near **future** of $1,000,000 convertible debentures or preferred **stock, to be followed** later in 1958 by the sale of about $5,000,000 of common stock. **Proceeds**—For working **capital and other** corporate purposes.

United Gas Improvement Co. (5/13)
Jan. 28 it was reported company plans to issue and sell $15,000,000 of first mortgage bonds. **Proceeds**—To repay bank loans and for construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co.; The First Boston Corp.; Kidder, Peabody & Co.; White, Weld & Co.; Merrill Lynch, Pierce, Fenner & Beane and Eastman Dillon, Union Securities & Co. (jointly). **Bids**—Expected to be received on May 13. **Registration**—About April 11.

Virginia Electric & Power Co. (6/10)
Dec. 26 it was reported company plans to issue and sell $25,000,000 bonds or debentures. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co.; Salomon Bros. & Hutzler; White, Weld & Co.; Eastman Dillon, Union Securities & Co.; Stone & Webster Securities Corp.; Kuhn, Loeb & Co. and American Securities Corp. (jointly). **Bids**—Tentatively expected to be received on June 10.

Virginia & Southwestern Ry. (3/6)
Company plans to sell $5,000,000 bonds. **Proceeds**—To redeem similar amount due April 1, 1958. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co.; Salomon Bros. & Hutzler; Eastman Dillon, Union Securities & Co.; Kidder, Peabody & Co., and White Weld & Co. (jointly). **Bids**—To be received up to noon (EST) on March 6 at Room 2013, 70 Pine St., New York 5, N. Y.

Washington Natural Gas Co.
Oct. 18 the directors authorized the sale of $5,000,000 in debentures. **Proceeds**—For expansion program. **Underwriter**—Blyth & Co., Inc., San Francisco and New York.

Our Reporter's Report

The holiday yesterday tended to slow down corporate new financing, via the fixed term debt route, this week and perhaps it was just as well. For the market, obviously, is again at one of those levels where prospective buyers do not see eye-to-eye with groups on the offering side.

In a word, the market has reached a point where both potential sellers of new securities and buyers are pausing to take stock of the situation. Borrowers, without doubt, are again in the driver's seat but prospective buyers are arching their backs more than a little as indicated yields taper sharply from levels of a few months back.

Institutional investors, as a matter of fact, have become so resistant that several syndicates have been forced to let go of offerings brought to market recently. And these, in consequence, have settled from 1½ to around 2 points under their initial offering prices.

It is quite a spell since investment bankers have found it advisable to wind-up a syndicate and let a given issue find its own level. But things have been moving rather fast since the Federal Reserve Banks cut their rediscount rates the first time last November.

Somewhere along the line there must be a meeting of the minds on the matter of return afforded to the investor. Even though industry has decided to cut back materially on its outlay for new facilities this year, there will be enough borrowing by corporations to make a favorable market essential.

Brisk Demand for Funds

Even though the corporate new bond market is behaving a bit discouragingly at the moment, investors meanwhile can find substantial outlet for their funds in other directions.

The tax-exempt market has been active and promises to continue so far quite a spell as municipal fathers take advantage of the changed money situation to get the funds they need.

And again deals like American Telephone & Telegraph Corp.'s $718,000,000 convertible debenture offering to is shareholders are soaking up investor funds in a big way since many recipients of the "rights" will sell them rather than take up the new issue.

Next Week's Prospects

Next week's budget of corporate prospects would be swelled considerably if the company and bankers feel that the time is right for marketing General Motors Acceptance Corp.'s $150,000,000 of new debentures.

That issue could have come to market this week if it had been decided to seek to have the Securities and Exchange Commission expedite the transaction.

Gulf States Utilities opens bids Tuesday for $7,500,000 of preferred and bankers are slated to bring out $25,000,000 of Niagara Mohawk Power preferred the same day.

On Thursday New York State Electric & Gas opens bids for $25,000,000 bonds, Gulf Power Co. will look at bids for $8,000,000 of bonds and Northern Illinois Gas Co. is marketing $10,000,000 of preferred through a banking group.

Street-Size Offerings

There is a goodly roster of so-called 'Street-size" issues building up as corporations, especially public utility companies, reveal their plans for borrowing.

Consolidated Edison Co. of New York plans to register $50,000,000 of bonds which will be up for competitive bids in April.

More recently Puget Sound Power & Light disclosed it plans to sell $30,000,000 of new first mortgage bonds to retire $20,000,000 of 6¼% bonds due in 1987 and to finance new construction.

And Baltimore Gas & Electric Co. has filed $30,000,000 first and refunders to provide funds for financing its new construction program.

C. M. Hathaway Adds

(Special to THE FINANCIAL CHRONICLE)

DENVER, Colo.—Gordon K. Clark has been added to the staff of C. M. Hathaway Company, 1575 Sherman.

Specialists to Undertake Study of Our Monetary - Banking System

An assist by the Relm Foundation permits specialists in the fields of money and banking to continue study of our money and banking system authorized by Economists' National Committee and started January, 1957.

Our money and banking system will come under the scrutiny of two private, non-profit research groups now that 11 specialists in the fields to be studied, members of the Economists' National Committee on Monetary Policy, have been aided on Feb. 4 by a grant from the Relm Foundation, Ann Arbor, Michigan. The preparation of the study on "A Proper Monetary and Banking System for the United States" was authorized by the Executive body of this Committee in January, 1957.

The other research group is the Committee for Economic Development and has been financially assisted by the Ford Foundation's initial grant of $500,000. A selection committee was appointed last Nov. 21, 1957, to organize a commission to make the money and credit study.

Similar to Macmillan Report

An Economists' National Committee group of 11 money and banking experts planned over a year ago to make their study a compact, handy volume somewhat similar to the "Macmillan Committee Report" (of England) of 1931. Although brevity, in the interest of usefulness, is to be emphasized, the plan involves presentation of the significance of the various items involved, the essential facts regarding them, the historical background of each only if and to the extent necessary to show the reasons for the conclusions reached, and the author's recommendations as to what should be done in respect to each issue examined.

The Executive Committee of the Economists' National Committee on Monetary Policy believe that such a study by objective and highly-experienced specialists in the fields of money and banking should have great value to the people of this country. Work on this program has been under way since early 1957.

Names of Eleven Authors

The authors of the Economists' National Committee study are:

Dr. James Washington Bell, President, and Professor Emeritus of Banking, Northwestern University; Secretary, American Economic Association.

Dr. Frederick A. Bradford, Vice-President, and Professor of Money and Banking, Lehigh University.

Dr. Fred R. Fairchild, Professor Emeritus of Economics, Yale University.

Dr. Donald L. Kemmerer, Vice-President, and Professor of Economics, The University of Illinois.

Dr. Arthur Kemp, Professor of Economics, Claremont Men's College, California; Director, Institute of Freedom and Competitive Enterprise.

Dr. Fred R. Niehaus, Professor of Economics, University of Colorado.

Dr. Melchior Palyi, one-time adviser to The Reichsbank and Economist for the Deutsche Bank.

Dr. Robert T. Patterson, Associate Professor of Economics, Claremont Men's College, California.

Dr. Clyde W. Phelps, Professor of Economics, University of Southern California.

Dr. Walter E. Spahr, Executive Vice-President, and Professor Emeritus of Economics, New York University.

Dr. G. Carl Wiegand, Professor of Economics, Southern Illinois University.

The Economists' National Committee on Monetary Policy came into being when many of the best monetary minds objected to our gold devaluation and going off the gold standard in 1933. Through the years it has made timely studies of our money, banking and credit policies and has championed return to the gold standard at $35.00 an ounce. Its office is located in New York City.

With First International

(Special to THE FINANCIAL CHRONICLE)

DENVER, Colo.—David L. Garrett, Jr. is now connected with First International Corporation, Denham Building.

Joins Dupree Staff

(Special to THE FINANCIAL CHRONICLE)

HARLAN, Ky. — Harold G. Chenault has become associated with F. L. Dupree & Co., Bus Terminal Building.

Midland Secs. Adds

(Special to THE FINANCIAL CHRONICLE)

KANSAS CITY, Mo. — Charles M. Clark, Jr. has joined the staff of Midland Securities Company Inc., 1016 Baltimore.

Rejoins Mercantile Trust

(Special to THE FINANCIAL CHRONICLE)

ST. LOUIS, Mo. — Edward H. Nesbitt has rejoined the staff of Mercantile Trust Company, 721 Locust Street. He was recently with Ira Haupt & Co.

With Yates, Heitner

(Special to THE FINANCIAL CHRONICLE)

ST. LOUIS, Mo.—Fred D. Miller, Jr. is now with Yates, Heitner & Woods, Paul Brown Building, members of the New York and Midwest Stock Exchanges. He was previously with Dempsey-Tegeler & Co.

With Ohio Company

(Special to THE FINANCIAL CHRONICLE)

COLUMBUS, Ohio—Wilford K. Murphy has become affiliated with The Ohio Company, 51 North High Street.

Now With Walston Co.

(Special to THE FINANCIAL CHRONICLE)

PORTLAND, Oreg.—Richard T. Stoutt has become connected with Walston & Co., Inc. 901 Southwest Washington Street. He was previously with Dean Witter & Co.

Mid Town Securities

The firm name of Arthur I. Korn & Co. has been changed to Mid Town Securities Corporation. Offices are at 30 East Sixteenth St., New York City.

Boston Fund's Assets, Dividends Both Increased

Boston Fund, one of the nation's largest balanced mutual investment companies, increased its dividends paid to shareholders from investment income, as well as its net asset value per share, during the fiscal year ended Jan. 31, 1958, it was reported by Henry T. Vance, President of the Fund.

Including the declaration of a 16 cents per share dividend for the final quarter of the fund's fiscal year, total dividends of net earned income of the fund for the year amounted to 52 cents per share as compared with 48 cents for the previous fiscal year. For those shareholders who accepted the capital gains distribution paid during 1957 in additional shares, this represents an increase of more than 14% in dividends from investment income.

Also, the net asset value of the shares at Jan. 31 was $15.39, after adjusting for the distribution of capital gains. This compares with $15.25 at the same time last year.

The directors have also declared a distribution of 89 cents representing long-term capital gains realized from the sale of securities. Both the capital gains distribution, and the dividend from investment income are payable Feb. 28 to shareholders of record Jan. 31.

Mutual Funds

By ROBERT R. RICH

Parker Corp. Sees Best Bargains In Four Years In Market

Current market prices provide investment opportunities not available for four years and the present may well prove to be an occasion to make investments at "bargain" levels, stockholders are told in the 32nd annual report of Incorporated Investors, one of the oldest and largest of the mutual fund investment trusts.

Chairman William A. Parker and President Charles Devens, in the President's Letter, reveal that in the past year Incorporated Investors added a record number of new stockholders, from 52,745 to 63,809, and that shares outstanding showed a record increase from 26,970,000 to 30,005,000.

Net assets at the year-end totaled $210,209,234 after payment of $12,234,000 in capital gain from profits. Dividends paid to stockholders from income reached a new high of $7,279,000.

The Presidents' letter further states:

"No one can pinpoint precisely the best moment to invest in a security. In recent months your management has been putting back into the market on a month by month basis the cash balances it accumulated earlier in the year. It expects to continue to do so for several months until such cash balance is reduced to normal working levels. Your management feels that selected purchases of securities over the next several months could add materially to the fund's overall investment results during the next several years.

"Two factors, so self-evident as often to be overlooked, will continue to contribute importantly to the long-term progress of this economy: an expanding population and the extraordinary growth of technological research. Population, presently increasing at the rate of three million a year, is expected to approach 200,000,000 by the mid-1960's. This growth, combined with high standards of consumption, provides an immense market for the goods industry produces.

"Industry, on its side, continues to be stimulated to produce new and better goods by the discoveries technology makes available. Today over $7 billion are being spent annually for planned research by government and industry compared with $4 billion in 1953, $1 billion in 1942 and $1 million in 1925. In bringing discoveries from laboratories to assembly lines, industry itself becomes a large consumer spending billions of dollars for the new plant and equipment that will create new goods and processes. A growing demand for consumer and capital goods creates an expanding economy and more business for well managed enterprises. This, in turn, looks towards better earnings, growing dividends and a generally rising trend for the price of their stocks.

"Incorporated Investors seeks to invest in those companies and industries which it believes will show an increase in earnings larger than American industry as a whole in the years ahead. These investments may be in strong companies in fields that hold recognized promise of growth. Or they may be the stocks of companies in hitherto depressed industries whose earnings are coming back rapidly from low levels due to a basic change in industry economics. We can give no assurance that we shall always be successful in our efforts. But we can say that investment decisions are made only on the basis of longer term considerations. Decisions are not, therefore, likely to be easily affected by the short-term problems of a temporary nature which from time to time inevitably face a company or industry.

"On the other hand, we believe there does not exist an investment that can be regarded with complacency. We should not, therefore, hesitate to move out of an industry or company if we detected an unfavorable change in its basic characteristics or if we felt that potentially more profitable long-term investments existed elsewhere.

"The 63,809 stockholders now owning shares of Incorporated Investors reside in every one of the 48 states, the District of Columbia, Alaska, Hawaii, Puerto Rico and 22 foreign countries, including Brazil, Belgium, France, Norway and French Equatorial Africa. Exclusive of shares held in dividend reinvestment and systematic investment accounts, 42.8% of shares outstanding with a present value of $82,082,473 are owned by 22,316 women, 28.3% with a value of $54,242,265 by 14,319 men, and 15.4% are held in joint accounts with a value of $29,484,908. The balance of such shares, or 13.5%, worth $26,013,094, represent shareholdings by fiduciary and other institutional accounts.

"While the economic growth of this country has been striking, it has not been progress in a straight line nor has it uniformly carried forward every sector of the economy. From time to time gains have been interrupted by pauses and setbacks. But these pauses have often proved the base for a new and vigorous move forward. As such they have provided opportunities to make investments in the economy at what have proved to be 'bargain' levels. Such opportunities presented themselves for investors willing to take risks in the early 1930's, in 1937-42, 1946-49, and 1953. In your management's opinion the present may well prove to be another such occasion."

Purchases in the last three months of 1957 were Atlantic Coast Line Railroad, Atlantic Refining, Caterpillar Tractor, General Dynamics, Harsco Corp., Northern Pacific, Pittston Co., convertible preferred, Royal Dutch Petroleum, St. Regis Paper, Weyerhaeuser Timber. Sales were Atchison, Topeka and Santa Fe, Socony and Union Oil Co.

Diversified Growth Fund Assets at High

Diversified Growth Stock Fund, Inc., reports new year-end records in total net assets, number of shareholders and shares outstanding as of Dec. 31, 1957.

In the 12 months covered by the Fund's annual report for 1957, net assets increased from $15,273,789 to $17,824,141. The number of shareholders grew by 54%, from 6,684 to 10,281. Shares outstanding increased from 2,399,322 to 3,309,300 during the same period.

Net asset value per share on Dec. 31, 1957 was $5.39, after deduction of a security profits distribution of 27½ cents per share payable Jan. 31, 1958 to shareholders of record Dec. 31, 1957. Corresponding net asset value at the end of 1956 was $6.37.

According to the report, the Fund's holdings of chemical and drug stocks were substantially increased during the last six months of the year. Largest current industry holdings are oil and gas, representing 18.1% of the Fund's total net assets; instrumentation, 14.7%; and chemicals 8.2%.

Newly added to the Fund's portfolio in the six months ended Dec. 31, 1957, were shares of Johnson Service Co., Rohm & Haas Co. and Schering Corp. A holding of Republic Natural Gas Co. was eliminated from the portfolio.

Wellington Fund Assets Now $605 Million

At the end of 1957, net assets of the Wellington Fund totalled $604,578,038 as compared with $578,756,593 at the end of the previous year, it was disclosed in the annual report now being mailed to stockholders. This is equivalent to $11.56 per share for 1957 and $12.99 for 1956. During 1957 a dividend of 46 cents per share was paid from net investment income. Forty-three cents per share was paid from realized capital gains.

In his letter to stockholders, Walter L. Morgan, President, stated that 1957 was a year of readjustment for American business.

"The past year," he added, "was also a year which reflected the prudence of the Wellington Fund's basic philosophy of conservative balanced investing. For while the asset value of Wellington shares declined moderately, the decline was less than about 7 out of 10 individual stocks listed on the New York Stock Exchange. This was primarily because the bonds and preferred stocks held by the Wellington Fund have increased in value since the beginning of the year.

"Wellington's achievements during 1957 and our balanced program were in part responsible for the Fund's continued growth. Thirty-three thousand shareholders joined the Wellington Fund and at the end of the year there were 233,000 owners of Wellington shares. These include not only individuals but many institutions such as profit-sharing funds, trusts and colleges (more of which purchased Wellington shares last year than ever before). As a result of this new money added to the Fund, assets increased during the year and at the year-end exceeded $604,000,000."

The annual report points out that in 1957 the Wellington Fund distributed more money to more shareholders than ever before in its history, $22,163,000 was paid to shareholders from investment income, and $21,705,000 was distributed from realized capital gains.

At the end of 1957, the portion of the Wellington Fund invested in common stocks and other equity holdings was 63% of resources, compared with 67% at the beginning of 1957. The principal reductions in common stocks were in certain cyclical industries such as building, machinery and railroad equipment, that were expected to experience a readjustment or a decline in new business. A moderate reduction was also made in some container, merchandise and paper stocks, and the food stocks were eliminated. The proceeds were largely invested in utility stocks and in corporate bonds acquired at generous yields.

Electric utility stocks were substantially increased with emphasis on stocks of well-managed companies in growth areas and those with attractive yields well protected by earnings. Increases were also made in selected aluminum, chemical, drug, electrical equipment, steel and miscellaneous growth stocks that were considered good long-term investment values.

An increase was made in the stocks of leading international oil companies and some producers and a reduction in the stocks of domestic refiners and integrated oil companies because the former were considered to have a more favorable long-term outlook and a better reserve position than those that were sold.

Principal new investments of the Wellington Fund are: Allied Chemical & Dye Corp.; Chrysler Corp.; Consolidated Edison; Container Corp.; Niagara Mohawk Power Co.; Pan American Sulphur; Reynolds Metals; St. Joseph Lead; and Spencer Chemical.

Principal investments eliminated by the Wellington Fund were: First National Bank of Boston; Great A & P Tea Co.; Otis Elevator Co.; J. C. Penney Co.; Republic National Bank of Dallas; and U. S. Fidelity & Guarantee Co.

Fundamental Investors Sets New Peaks

Fundamental Investors, Inc., one of the nation's largest mutual funds, reports a total of 25,017,809 shares outstanding, owned by 90,593 shareholders on Dec. 31, 1957, the end of the fund's fiscal year. Both figures represent the highest year-end totals in the fund's history.

At the 1957 year-end, net assets of the fund totalled $334,501,287 compared with $372,208,873 a year earlier. Net asset value per share on Dec. 31, 1957 was $13.37, after deduction of a security profits distribution of 31 cents per share payable Feb. 4, 1958 to shareholders of record Dec. 31, 1957. Corresponding net asset value per share on Dec. 31, 1956 was $16.54.

A total of 52½ cents per share was paid from net investment income in 1957, the largest figure for any year since the fund began operations in 1933, according to Fundamental's 25th annual report to shareholders.

Despite the fact that "a levelling off process was apparent in many sectors of the economy during the last half of 1957," the report expresses the opinion that "long term growth forces are still operative in the economy and the present period offers many investment opportunities."

Major changes in the fund's holdings during the year included increases in shares of companies in the paper and container, public utility and business machine industries and reductions in investments in the railroad and aircraft industries.

In the three months since Sept. 30, 1957 when investment holdings were last reported to shareholders, additions were made to previous holdings of Aluminium, Ltd., Avon Products, Inc., Gillette Co., Houston Lighting & Power Co. and National Lead Co.

During the same three-month period, a holding of Illinois Central R.R. Co. was eliminated from the portfolio and reductions were made in holdings of Aluminum Co. of America, Atchison, Topeka & Santa Fe Ry. Co. and Seaboard Airline R.R. Co.

With Yates, Heitner

(Special to THE FINANCIAL CHRONICLE)

ST. LOUIS, Mo.—Robert J. Hrastich is now with Yates, Heitner & Woods, Paul Brown Building, members of the New York and Midwest Stock Exchanges. He was formerly with Dempsey-Tegeler & Co.

Goldman, Sachs Adds

(Special to THE FINANCIAL CHRONICLE)

ST. LOUIS, Mo.—R. Charles Goodwin is now with Goldman, Sachs & Co., 314 North Broadway. He was formerly with the Bank of St. Louis.

Indications of Current Business Activity

The following statistical tabulations cover production and other figures for the latest week or month available. Dates shown in first column are either for the week or month ended on that date, or, in cases of quotations, are as of that date:

		Latest Week	Previous Week	Month Ago	Year Ago
AMERICAN IRON AND STEEL INSTITUTE:					
Indicated steel operations (per cent capacity)	Feb. 16	§53.7	*54.0	57.0	97.7
Equivalent to—					
Steel ingots and castings (net tons)	Feb. 16	§1,449,000	*1,457,000	1,538,000	2,501,000
AMERICAN PETROLEUM INSTITUTE:					
Crude oil and condensate output—daily average (bbls. of 42 gallons each)	Jan. 31	6,842,385	6,923,185	6,863,460	7,422,165
Crude runs to stills—daily average (bbls.)	Jan. 31	¶7,548,000	7,639,000	7,867,000	8,202,000
Gasoline output (bbls.)	Jan. 31	27,040,000	26,449,000	27,591,000	27,162,000
Kerosene output (bbls.)	Jan. 31	2,486,000	2,397,000	2,589,000	2,825,000
Distillate fuel oil output (bbls.)	Jan. 31	12,543,000	12,543,000	13,240,000	14,615,000
Residual fuel oil output (bbls.)	Jan. 31	7,497,000	7,424,000	7,892,000	8,687,000
Stocks at refineries, bulk terminals, in transit, in pipe lines—					
Finished and unfinished gasoline (bbls.) at	Jan. 31	204,559,000	203,256,000	198,035,000	196,351,000
Kerosene (bbls.) at	Jan. 31	23,179,000	24,051,000	28,511,000	24,622,000
Distillate fuel oil (bbls.) at	Jan. 31	123,121,000	128,181,000	150,021,000	100,369,000
Residual fuel oil (bbls.) at	Jan. 31	57,502,000	57,810,000	59,621,000	38,212,000
ASSOCIATION OF AMERICAN RAILROADS:					
Revenue freight loaded (number of cars)	Feb. 1	550,426	550,667	471,749	647,972
Revenue freight received from connections (no. of cars)	Feb. 1	533,316	539,681	426,770	628,210
CIVIL ENGINEERING CONSTRUCTION — ENGINEERING NEWS-RECORD:					
Total U. S. construction	Feb. 6	$322,937,000	$389,731,000	$170,986,000	$428,491,000
Private construction	Feb. 6	182,733,000	139,953,000	61,974,000	259,460,000
Public construction	Feb. 6	140,204,000	249,778,000	109,012,000	169,031,000
State and municipal	Feb. 6	111,388,000	215,818,000	94,122,000	128,060,000
Federal	Feb. 6	28,816,000	33,960,000	14,890,000	40,971,000
COAL OUTPUT (U. S. BUREAU OF MINES):					
Bituminous coal and lignite (tons)	Feb. 1	8,120,000	8,285,000	8,790,000	8,775,000
Pennsylvania anthracite (tons)	Feb. 1	461,000	537,000	506,000	641,000
DEPARTMENT STORE SALES INDEX—FEDERAL RESERVE SYSTEM—1947-49 AVERAGE = 100	Feb. 1	92	93	95	94
EDISON ELECTRIC INSTITUTE:					
Electric output (in 000 kwh.)	Feb. 8	12,289,000	12,238,000	12,506,000	12,019,000
FAILURES (COMMERCIAL AND INDUSTRIAL) — DUN & BRADSTREET, INC.	Feb. 6	342	326	324	287
IRON AGE COMPOSITE PRICES:					
Finished steel (per lb.)	Feb. 4	5.967c	5.967c	5.967c	5.622c
Pig iron (per gross ton)	Feb. 4	$66.42	$66.42	$66.42	$62.90
Scrap steel (per gross ton)	Feb. 4	$36.67	$35.00	$33.00	$53.83
METAL PRICES (E. & M. J. QUOTATIONS):					
Electrolytic copper—					
Domestic refinery at	Feb. 5	24.575c	24.525c	26.400c	33.550c
Export refinery at	Feb. 5	20.475c	20.325c	22.425c	31.175c
Lead (New York) at	Feb. 5	13.000c	13.000c	13.000c	16.000c
Lead (St. Louis) at	Feb. 5	12.800c	12.800c	12.800c	15.800c
‡Zinc (delivered) at	Feb. 5	10.500c	10.500c	10.500c	14.000c
Zinc (East St. Louis) at	Feb. 5	10.000c	10.000c	10.000c	13.500c
Aluminum (primary pig. 99%) at	Feb. 5	26.000c	26.000c	26.000c	25.000c
Straits tin (New York) at	Feb. 5	93.125c	93.500c	92.125c	102.000c
MOODY'S BOND PRICES DAILY AVERAGES:					
U. S. Government Bonds	Feb. 11	94.25	93.86	94.80	92.59
Average corporate	Feb. 11	95.92	95.77	93.56	96.23
Aaa	Feb. 11	102.80	102.63	101.97	101.14
Aa	Feb. 11	99.36	99.36	98.41	98.73
A	Feb. 11	96.07	96.23	95.62	96.23
Baa	Feb. 11	86.65	86.24	83.53	89.23
Railroad Group	Feb. 11	91.62	91.62	91.34	95.16
Public Utilities Group	Feb. 11	98.09	97.94	94.71	96.54
Industrials Group	Feb. 11	98.25	98.09	97.16	96.85
MOODY'S BOND YIELD DAILY AVERAGES:					
U. S Government Bonds	Feb. 11	2.99	3.02	2.94	3.10
Average corporate	Feb. 11	4.01	4.02	4.10	3.99
Aaa	Feb. 11	3.58	3.59	3.63	3.68
Aa	Feb. 11	3.79	3.79	3.85	3.83
A	Feb. 11	4.00	3.99	4.03	3.99
Baa	Feb. 11	4.66	4.69	4.90	4.47
Railroad Group	Feb. 11	4.30	4.30	4.32	4.06
Public Utilities Group	Feb. 11	3.87	3.88	4.09	3.97
Industrials Group	Feb. 11	3.86	3.87	3.93	3.95
MOODY'S COMMODITY INDEX	Feb. 11	397.0	393.0	391.2	418.8
NATIONAL PAPERBOARD ASSOCIATION:					
Orders received (tons)	Feb. 1	241,750	236,717	**307,873	370,583
Production (tons)	Feb. 1	244,049	266,581	**213,154	276,706
Percentage of activity	Feb. 1	82	87	**45	94
Unfilled orders (tons) at end of period	Feb. 1	340,841	348,266	‡‡376,218	471,744
OIL, PAINT AND DRUG REPORTER PRICE INDEX—1949 AVERAGE = 100	Feb. 7	108.63	*108.49	108.43	111.14
ROUND-LOT TRANSACTIONS FOR ACCOUNT OF MEMBERS, EXCEPT ODD-LOT DEALERS AND SPECIALISTS:					
Transactions of specialists in stocks in which registered—					
Total purchases	Jan. 18	1,628,660	1,457,630	1,672,050	1,491,160
Short sales	Jan. 18	394,750	338,500	289,730	242,290
Other sales	Jan. 18	1,349,890	1,478,550	1,338,370	1,384,090
Total sales	Jan. 18	1,744,640	1,817,050	1,628,100	1,626,380
Other transactions initiated on the floor—					
Total purchases	Jan. 18	393,670	324,610	386,620	314,310
Short sales	Jan. 18	78,300	57,900	54,800	31,500
Other sales	Jan. 18	320,170	380,510	474,920	384,460
Total sales	Jan. 18	398,470	438,410	529,720	415,960
Other transactions initiated off the floor—					
Total purchases	Jan. 18	659,935	524,969	540,080	579,442
Short sales	Jan. 18	278,620	174,570	76,750	98,570
Other sales	Jan. 18	471,415	528,602	457,530	581,957
Total sales	Jan. 18	750,035	703,172	534,280	680,527
Total round-lot transactions for account of members—					
Total purchases	Jan. 18	2,682,265	2,307,209	2,598,750	2,384,912
Short sales	Jan. 18	751,670	570,970	421,280	372,360
Other sales	Jan. 18	2,141,475	2,387,662	2,270,820	2,350,507
Total sales	Jan. 18	2,893,145	2,958,632	2,692,100	2,722,867
STOCK TRANSACTIONS FOR ODD-LOT ACCOUNT OF ODD-LOT DEALERS AND SPECIALISTS ON N. Y. STOCK EXCHANGE — SECURITIES EXCHANGE COMMISSION:					
Odd-lot sales by dealers (customers' purchases)—*					
Number of shares	Jan. 18	1,388,699	1,485,834	1,398,063	1,527,496
Dollar value	Jan. 18	$59,718,097	$60,550,994	$54,185,406	$76,462,431
Odd-lot purchases by dealers (customers' sales)—					
Number of orders—Customers' total sales	Jan. 18	948,903	904,425	1,314,903	1,076,150
Customers' short sales	Jan. 18	35,357	24,745	16,717	10,855
Customers' other sales	Jan. 18	913,546	879,680	1,298,186	1,065,295
Dollar value	Jan. 18	$40,765,537	$38,727,811	$49,173,516	$53,947,979
Round-lot sales by dealers—					
Number of shares—Total sales	Jan. 18	195,840	201,690	420,500	246,970
Short sales	Jan. 18	------	------	------	------
Other sales	Jan. 18	195,840	201,690	420,500	246,970
Round-lot purchases by dealers—					
Number of shares	Jan. 18	676,810	723,910	478,220	652,290
TOTAL ROUND-LOT STOCK SALES ON THE N. Y. STOCK EXCHANGE AND ROUND-LOT STOCK TRANSACTIONS FOR ACCOUNT OF MEMBERS (SHARES):					
Total round-lot sales—					
Short sales	Jan. 18	1,291,120	945,650	646,710	584,780
Other sales	Jan. 18	11,358,970	10,738,300	13,267,560	12,277,650
Total sales	Jan. 18	12,650,090	11,683,950	13,914,270	12,862,430
WHOLESALE PRICES, NEW SERIES — U. S. DEPT. OF LABOR — (1947-49=100):					
Commodity Group—					
All commodities	Feb. 4	118.5	*118.7	118.7	117.1
Farm products	Feb. 4	94.2	94.3	93.5	89.3
Processed foods	Feb. 4	108.4	108.8	108.3	104.6
Meats	Feb. 4	99.1	99.7	98.6	83.4
All commodities other than farm and foods	Feb. 4	125.7	125.9	126.0	125.3

*Revised figure. ¶Includes 902,000 barrels of foreign crude runs. §Based on new annual capacity of 140,742,570 tons as of Jan. 1, 1958, as against Jan. 1, 1957 basis of 133,459,150 tons. †Number of orders not reported since introduction of Monthly Investment Plan. ‡Prime Western Zinc sold on delivered basis at centers where freight from East St. Louis exceeds one-half cent a pound. **10 days ended Dec. 31, 1957. ‡‡As of Dec. 31, 1957.

	Latest Month	Previous Month	Year Ago
BANKERS' DOLLAR ACCEPTANCES OUTSTANDING — FEDERAL RESERVE BANK OF NEW YORK—As of Dec. 31:			
Imports	$278,410,000	$268,094,000	$260,627,000
Exports	455,531,000	459,495,000	329,315,000
Domestic shipments	10,304,000	8,906,000	13,443,000
Domestic warehouse credits	285,772,000	212,766,000	213,114,000
Dollar exchange	45,674,000	63,580,000	1,859,000
Based on goods stored and shipped between foreign countries	231,688,000	210,791,000	148,399,000
Total	$1,307,379,000	$1,223,632,000	$966,757,000
BUILDING CONSTRUCTION—U. S. DEPT. OF LABOR—Month of Dec. (in millions):			
Total new construction	$3,667	$4,112	$3,544
Private construction	2,705	2,942	2,654
Residential buildings (nonfarm)	1,345	1,484	1,362
New dwelling units	1,005	1,090	1,045
Additions and alterations	290	343	277
Nonhousekeeping	50	51	40
Nonresidential buildings	764	802	772
Industrial	248	251	274
Commercial	305	332	305
Office buildings and warehouses	172	179	157
Stores, restaurants, and garages	133	153	148
Other nonresidential buildings	211	219	193
Religious	74	78	71
Educational	44	46	46
Hospital and institutional	48	49	32
Social and recreational	27	28	26
Miscellaneous	18	18	18
Farm construction	100	114	97
Public utilities	483	528	413
Railroad	35	37	36
Telephone and telegraph	86	86	88
Other public utilities	362	405	289
All other private	13	14	10
Public construction	962	1,170	890
Residential buildings	57	56	30
Nonresidential buildings	342	364	324
Industrial	32	33	45
Educational	226	235	201
Hospital and institutional	24	25	23
Administrative and service	29	34	29
Other nonresidential buildings	31	37	26
Military facilities	88	107	98
Highways	275	410	239
Sewer and water systems	97	107	100
Sewer	61	67	56
Water	36	40	44
Public service enterprises	25	31	27
Conservation and development	71	86	65
All other public	7	9	7
BUILDING PERMIT VALUATION — DUN & BRADSTREET, INC.—215 CITIES—Month of December:			
New England	$18,203,168	$20,702,421	$15,309,815
Middle Atlantic	71,245,427	60,670,788	73,991,725
South Atlantic	28,997,778	29,956,605	34,875,947
East Central	101,237,748	84,580,550	70,965,271
South Central	61,885,117	69,450,557	61,387,779
West Central	20,322,459	23,418,508	17,593,663
Mountain	13,413,382	17,392,758	15,900,479
Pacific	76,675,985	74,645,776	96,331,149
Total United States	$391,981,064	$380,817,963	$386,355,828
New York City	47,061,897	28,844,804	49,355,515
Outside New York City	344,919,167	351,973,159	337,000,313
COTTON GINNING (DEPT. OF COMMERCE):			
To Jan. 16 (running bales)	10,632,810	------	13,087,860
COTTON AND LINTERS — DEPT. OF COMMERCE — RUNNING BALES:			
Consumed month of December	571,287	656,205	630,339
In consuming establishment as of Dec. 28	1,591,360	1,442,047	1,584,378
In public storage as of Dec. 28	12,580,025	11,330,443	16,396,960
Linters—Consumed month of December	100,208	102,965	126,012
Stocks Dec. 28	876,200	837,345	979,731
Cotton spindles active as of Dec. 28	18,144,000	18,133,000	18,730,000
DEPARTMENT STORE SALES SECOND FEDERAL RESERVE DISTRICT, FEDERAL RESERVE BANK OF NEW YORK—1947-49 Average=100—Month of December:			
Sales (average monthly), unadjusted	222	*155	213
Sales (average daily), unadjusted	226	158	218
Sales (average daily), seasonally adjusted	128	*124	123
Stocks, unadjusted	127	159	128
Stocks, seasonally adjusted	138	138	139
FACTORY EARNINGS AND HOURS—WEEKLY AVERAGE ESTIMATE—U. S. DEPT. OF LABOR—Month of December:			
Weekly earnings—			
All manufacturing	$82.92	*$82.92	$84.05
Durable goods	88.70	*88.93	91.34
Nondurable goods	74.69	74.30	73.84
Hours—			
All manufacturing	39.3	*39.3	41.0
Durable goods	39.6	*39.7	41.9
Nondurable goods	38.9	38.7	39.7
Hourly earnings—			
All manufacturing	$2.11	*$2.11	$2.05
Durable goods	2.24	2.24	2.18
Nondurable goods	1.84	*1.82	1.75
RUBBER MANUFACTURERS ASSOCIATION INC.—Month of November:			
Passenger Tires (Number of)—			
Shipments	6,220,370	6,778,256	6,491,022
Production	7,098,030	8,437,134	6,575,338
Inventory	18,960,004	17,998,005	15,595,534
Truck and Bus Tires (Number of)—			
Shipments	950,989	1,375,389	1,021,934
Production	1,149,906	1,271,218	1,060,430
Inventory	3,210,873	2,986,799	3,207,090
Tractor-Implement Tires (Number of)—			
Shipments	188,468	251,476	171,876
Production	258,231	314,222	191,749
Inventory	767,299	697,821	731,229
Passenger, Motorcycle, Truck and Bus Inner Tubes (Number of)—			
Shipments	2,735,619	3,171,641	2,791,631
Production	3,242,647	3,763,761	2,584,650
Inventory	7,444,444	6,908,690	6,250,298
Tread Rubber (Camelback)—			
Shipments (pounds)	34,771,000	50,124,000	37,025,000
Production (pounds)	37,377,000	47,369,000	35,586,000
Inventory (pounds)	27,681,000	24,877,000	26,124,000
TREASURY MARKET TRANSACTIONS IN DIRECT AND GUARANTEED SECURITIES OF U. S. A.—Month of December:			
Net sales	------	$67,271,850	------
Net purchases	$33,325,000	------	$21,328,450

Continued from page 8

Business and Stock Outlook For the Long-Term Investor

ioned by the 52% reduction in the corporation's income tax.

(2) No bad depression could occur without heavy debt liquidation. This is now not likely to happen because of:

(a) Insured bank deposits and savings and loan accounts.

(b) We now have long-term mortgages with annual amortization rather than short-term ones maturing all at once.

(c) We have large reserves of liquid assets.

(d) Regulation of stock market credit prevents it becoming excessive.

(3) Government spending—Federal, State and municipal—now represents about 20% of our total Gross National Product compared with only 4.5% in 1929. This is a factor of stability in our present economy.

(4) We now have a **managed economy and monetary system.** The Federal Reserve Board can increase the supply and reduce the cost of credit to check a deflationary spiral. Under the Employment Act of 1946, the Federal Government has assumed the responsibility of preventing large scale unemployment.

In addition to all these structural changes in our economy which rule out any major depression in the foreseeable future, there are two other strong reasons ruling out a bad recession in 1958:

(1) 1958 is an **election year,** and **neither political party** wants to be **blamed** for a business depression, **and**

(2) We are in a race for survival with Communist Russia which will stimulate defense spending and research and development, and makes avoidance of a bad depression a matter of national security.

Describes Current Recession

If we need not fear any major depression in 1958, what is the nature of our current recession?

Recessions are a necessary part of our free economic system. No two recessions are quite alike. Each one has to correct the particular maladjustments of the previous boom period. Thus they enable the economy to function more efficiently.

It will give us perspective to take a quick look at past recessions. The National Bureau of Economic Research has made a specialty of studying business cycles. Of the 24 recessions since 1857, only four lasted longer than 24 months. Only one of these four major depressions, that of 1929-32, came after 1885. In the 70 years since 1885, four out of five business recessions lasted only 18 months or less, and half lasted only 13 months or less. Based on the record of the past 70 years, the odds that a recession will end within 24 months are 17 to 1, and the odds on a turn within 18 months are 4 to 1. The Federal Reserve Board Index of industrial production reached its high of 147 in December, 1956. A recession with a duration of 18 months would bring its end in the second quarter of 1958. Of course, the stock market usually begins to advance 6 to 7 months ahead of the turn in business.

Encouraging Comments

Mr. Moore of the National Bureau has made two encouraging comments about the present recession. First, he says that the present recession will be just an "average" recession, only a little worse than the "baby" recessions of 1949 and 1954. These recessions each lasted 12 months. Gross National Product declined about 3% in each case, and the Federal Reserve Board Index of industrial production declined about 10.5% in each case. Mr. Moore expects this one to last about 14 months but dates its beginning from July, 1957—this would bring the turn in the third quarter of 1958. The last "average" recession lasted from May, 1923 to July, 1924, and was quite uneventful. The second encouraging comment made by Mr. Moore was that their eight "lagging" indicators — indexes which are the last to move compared with the leading and coincident indicators — are beginning to fall. The economy does not begin to recover until the lagging indicators slip. In other words, this is an early sign of recovery.

Another favorable aspect of the present situation is that this business adjustment was not precipitated by the collapse of an overextended boom. A rolling adjustment had been going on for two years, during which time a number of industries had been having their own correction. For example, automobiles had their peak year in 1955; housing starts turned down in early 1955 and stabilized in 1957.

Now, let us consider the 1958 outlook for the economy in terms of the spending components of the Gross National Product. The following will show **decreases in 1958:**

(1) Business spending for new plant and equipment will decrease, probably between $3 and $4 billion, a decline of 8 to 10%.

(2) Business spending for inventories will decrease, resulting in a net liquidation of about $2 billion.

(3) Exports will decline by about $1 billion.

Business spending for new plant and equipment rose sharply in 1956 and continued to rise, but at a slower rate, until the third quarter of 1957. There is currently some excess capacity in most industries. Most businessmen prefer an operating rate closer to 90% than to 100%. However, they consider an operating rate much lower than 90% an indication of excess capacity. We need a let-up in plant expansion to enable the rest of the economy to catch up.

The decline in business spending for new plant and equipment will not be too severe, however, for the following reasons:

(1) Business capital spending is now **planned** for a long period ahead, to keep up with the rapid growth of the population. This makes it more stable than heretofore.

(2) **Research** creates new products and processes which leads to a more continuous rate of expenditure on new plant and equipment. **Research expenditures** have increased substantially in recent years and will continue to expand.

(3) Rising wage costs forces capital spending to reduce unit labor costs.

(4) Under the 1954 Income Tax Code depreciation provisions permit **faster write-off** which encourages new capital spending.

A decline in business capital spending to below $35 billion in 1958, would still be a high figure, exceeded only by 1956 and 1957.

Inventory Question

All business recessions involve some **inventory reduction,** and this one is no exception. Over the long term there is an uptrend in inventories, which must grow as business volume grows. In 1955 inventories increased $4 billion, in 1956, $5 billion. Inventory accumulation was held down in 1957, amounting only to about $2 billion in the first 9 months. This will mitigate the inventory correction in 1958.

Inventory adjustments are self-correcting. The rate of production is cut back temporarily below the rate of consumption. The faster production is cut back the faster inventories are reduced, and the sooner production must increase to get back to the rate of consumption. After recovery sets in, inventories must be built back up again to keep pace with the higher level of consumption.

Inventory liquidation should not be too severe, except in a few cases, such as steel. Steel production is running about 20% below consumption. This should make for a fast correction of excessive inventories in this basic industry.

The annual rate of inventory liquidation in the 4th quarter was close to $3 billion. In the 3rd quarter, inventories were being accumulated at an annual rate of $2 billion. Thus, there was a change of about $5 billion in the annual rate of inventory spending between the 3rd and 4th quarters. This accounts for a large part of the drop of $6 billion in the Gross National Product which occurred in the 4th quarter. Inventories always look excessive when sales are declining, of course, but as defense contracts are placed in increasing volume, after the slow-down early last fall, inventory liquidation should dry up and cease to be a depressing influence on business activity.

Exports will show a decline in 1958, probably of about $1 billion. This will reflect partly the passing of the special circumstances which stimulated exports last year, one such was the closing of the Suez Canal which increased our petroleum exports. Another short-term stimulus to exports was a relatively poor European harvest. In addition, exports in 1958 will be hurt by some slowing down in economic expansion abroad and some shortage of foreign exchange.

Increased Spending Sectors

The following components of the Gross National Product will **increase in 1958:**

(1) Federal Government spending, by $2 to $4 billion.

(2) State and local government spending, by about $3 billion.

(3) Construction including residential building, by about $1 billion.

(4) Consumer spending by about $5 billion which is an increase of less than $2%.

The big increase in **Federal Government spending** will be in defense to meet the challenge of Russia's progress in guided missiles. There are two aspects of the increase in defense spending, one short-term, the other long-term. Over the short-term, which covers 1958, we can expect a sharp spurt in defense orders just to catch up on deferred placement. In August last year the Department of Defense began a program of contract cancellations and stretch-outs in letting new contracts. The reason was that in preceding months military spending had exceeded the budget and the Treasury was getting close to the debt ceiling of $275 billion. At any rate these cut-backs hurt business and hurt business sentiment even more.

After Sputnik, this policy was reversed and defense orders were let at a faster rate. Beginning with the low 3rd quarter of 1957, defense orders are projected as follows:

3rd Quarter 1957—$2.1 billion.
4th Quarter 1957—$3.6 billion.
1st Quarter 1958—$4.6 billion.
2nd Quarter 1958—$5.2 billion.

These orders will help to reverse the downtrend in new orders and unfilled orders. Contracts awarded and signed in 1958 may run as high as $23 billion, compared with only about $12 billion in 1957. This spurt in orders will stimulate business in 1958, and help business and investment sentiment.

Over the long-term, for many years ahead, we can expect **rising defense expenditures.** The Rockefeller report recommended an increase of $3 billion per year for the next several years. This would put the defense budget up to over $50 billion in three years time.

Dr. Johnson, Director of the Operations Research Office of Johns Hopkins University, which has been under contract with the Department of the Army to study U. S. defenses, has just stated that we must spend an additional $15 billion a year indefinitely to win the race for survival with Russia.

According to the judgment of many experts in and out of government, the President's defense budget is woefully inadequate. Our current military strength would be reduced a year or two in advance of our attaining any real missile strength. Much greater efforts are necessary just to keep up with the Russians, and even greater efforts to get ahead of them. I believe the public wants the government to make a greater effort, and Congress is in the same mood. I expect Congress to go further than the President's recommendations in pushing our defense effort. This means a greater increase in Federal Government outlays and a return to deficit spending after two years of a budget surplus. This will have long-term inflationary implications.

State and municipal purchases of goods and services have increased every year since 1943. This increase has amounted to almost $3 billion in each of the past four years. This should continue indefinitely to keep pace with the needs of our growing population for schools, roads, hospitals, and other public works.

Outlays for **new construction** are expected to total $49.6 billion in 1958, 5% above the $47.3 billion record reached in 1957. With lower money rates and an increased supply of mortgage money, housing starts should increase to about 1,100,000 units from just under 1,000,000 started in 1957. Private non-residential construction should remain unchanged. Increased construction by public utilities and of hospitals and office buildings will offset the decline in construction by business concerns. Outlays for highways will rise sharply. The improvement in the bond market will facilitate municipal financing and therefore public works projects.

Consumer expenditures constitute nearly two-thirds of the Gross National Product. They have risen in every year since 1938 including the recession years of 1949 and 1954. This amazing record of growth and stability is the basis for expecting consumer spending to continue as a strong support of the economy in 1958. Retail trade figures so far tend to confirm this. Despite declining business activity total seasonally adjusted retail sales in December were 1% ahead of November and 2% over December, 1956.

Personal income, the source of all consumption expenditures, hit a peak in August of $346.8 billion annual rate and declined only 1.2% by December. However, it could show some increase for the year 1958 as a whole. Wage rates in many basic industries are due to be raised because of contracts already negotiated, and these will be used for bargaining purposes on those contracts which come up for renewal. Average hourly wage rates in all manufacturing have increased in every year since 1933, and should increase again in 1958. Social Security and unemployment insurance will offset in part the rising unemployment in manufacturing. Employment in the service industries and government should continue to rise.

There will be some decline in consumer spending for hard goods, but it should be more than offset by increased consumer spending for soft goods and services. The latter are less cyclical than hard goods and constitute a much larger part of total consumer spending. Soft goods represent about 50% of consumer outlays, services 37%, and hard goods, only 13%.

Federal Reserve Policies

To get a more complete picture of the economy in 1958, we must also take into account other important intangible factors. The extent and duration of this recession depend partly on what action is taken by the Federal Reserve Board and the Federal Government. During 1956 and 1957 the **Federal Reserve Board** was more worried about inflation than deflation. In the long-run, I believe inflation will be one of our major problems. The Board raised the rediscount rate seven times between April, 1955 and August, 1957. It seems clear now that the August increase was a mistake. In fact, some economists have questioned the wisdom of fighting a wage-cost inflation by credit controls. At any rate the Federal Reserve Board reversed itself by cutting the rediscount rate in November from 3½% back to 3%. On Jan. 21, the Board approved a cut from 3% to 2¾% and the banks responded by cutting the prime rate from 4½ to 4%. Furthermore, margin requirements were lowered on Jan. 14, 1958 from 70% to 50%.

There are other steps the Federal Reserve Board can take to strengthen confidence and stimulate business recovery:

(1) Increase the supply of bank credit by reducing reserve requirements.

(2) Increase the supply of credit by purchasing government securities through open market operations.

(3) Reduce the cost of money by reducing the rediscount rate further. In April, 1955, the rediscount rate was only 1½%. If conditions warrant, the F. R. B., in gradual steps, could cut the rate back to this level or even lower.

More plentiful and cheaper money would have the following beneficial effects:

(1) Revive public works projects by state and local governments which had been deferred because of tight credit.

(2) Increase the supply of mortgage credit and stimulate home building.

(3) Decrease the cost of carrying inventories and therefore encourage the shift from inventory liquidation to accumulation.

(4) Encourage business spending for new plant and equipment.

(5) Make stock yields more attractive relative to bond yields.

Easy money alone cannot produce a business recovery but it can contribute to one.

Fiscal Intervention

The **Federal Government** has already taken a number of steps to stimulate business and indicated a willingness to do more if it should prove necessary. Awarding of defense contracts have been accelerated. Credit terms on home financing have been liberalized. The budget for the fiscal year beginning July 1 projects expenditures at a record peacetime rate of $73.9 billion. The President has stated that he would rather see a deficit than a tax increase at this time. Steps have already been taken to raise the debt limit $5 billion.

There are many additional steps which the Federal Government could take involving three main courses of action:

(1) Increasing government

spending, such as for defense, or public works.

(2) Reducing income taxes to stimulate consumer spending.

(3) Stimulate particular industries, such as construction. So far, the President and his advisers seem to believe that drastic government action is not necessary.

I think they are right. If the government should do too much, it could contribute to inflationary pressures next year. A moderate business correction is healthy for the economy, and involves only a temporary interruption in our long-term economic expansion.

1958 Outlook Summarized

Now, to **summarize the business outlook** for 1958:

The business recession should hit bottom in the first or second quarter. The Federal Reserve Board Index of production should not decline below 130. Unemployment probably will not exceed five million of the worst.

For the next few months there will be a sharp contrast between the bad business and investment news and the improving prospects for business a year ahead.

Just when the business turn comes will depend on the speed of inventory liquidation and the cumulative effect of counter-measures taken by the Federal Reserve Board and the Federal Government. By mid-summer business should have seen the worst. The big jump in defense orders in the first six months and the end of the inventory correction should be decisive in turning the business trend upward.

By the 4th quarter recovery should be strong and most business indicators should end the year at a higher level than they began it.

1958 will be a good year in comparison with past years, although it will not set a new high record for the economy. 1959 will be a year of new high prosperity, better than 1957.

1958 will mark the beginning of a new defense boom which will last for years and be the dominant stimulating force in the economy. It will bridge the gap until the sharp rise in family formation, which will begin about 1963, takes over as the dominant stimulus to the economy.

Stock Market Outlook

For common stock investors the big event of 1957 was the bear market signal which occurred early in October, when the market broke under the last of the five main support points which had been established between January, 1956, and February, 1957. 1957 was the first year since 1953 that the market closed with a net loss, although the gain in 1956 was slight.

As a background to help understand the stock market outlook for 1958, let us summarize briefly the market picture of the last few years. In September, 1953, the market looked as though it were headed for a big decline, having broken the low support points established earlier in 1952 and 1953. It stopped abruptly, however, and in the face of bad business news, began a steady advance which lasted without an important reaction for two years—until the decline precipitated by the President's heart attack.

The Federal Reserve Board Index of Industrial Production did not turn up until mid-1954. The market had turned up long in advance of business activity despite the then current unfavorable business news.

The Dow-Jones Industrial Average established its high of about 521 in April, 1956. Between October, 1955 and October, 1957, this average remained in a trading area between approximately 450 and 520. Business activity remained at a high level; the F. R. B. Industrial Production Index reached its high of 147 in December, 1956, and then leveled off at about 143 for the first eight months of 1957.

It is of considerable importance to investors now to realize that the 1953-57 bull market did not have a final extreme speculative phase characteristic of many bull markets. The latest bull market did not end with a rapid advance and heavy volume of trading as in 1929 and 1937. Price-earnings ratios did not reach the extremes seen in 1929, 1937, and 1946. There are several reasons for this. One is that throughout the whole post-war period, the stock market has reflected the cautious attitude of investors.

A second reason is the relatively high margin requirement of 70% which was set in April, 1955, by the Federal Reserve Board to restrain speculative enthusiasm. Net debit balances of customers of New York Stock Exchange member firms, that is, credit used by customers to carry securities on margin, reached a total of only $2.9 billion on June 30, 1957. On Dec. 31, they had been reduced to $2.5 billion, the lowest since December, 1954. This amount is insignificant in comparison with the total value of listed securities. Finally, the steady rise in money rates which occurred throughout 1956 and into the third quarter of 1957 put a damper on rising stock prices by diverting buying from common stocks to bonds and preferred stocks.

No Speculative Boom to Liquidate

The importance of all this for investors is that now, in 1958, there is no big speculative boom to be liquidated. The market will not be forced down beyond whatever level is necessary to take fully into account the fundamentals of lower business, earnings and dividends. In fact, the former depressing factors of high money rates and high margin requirements have already been changed to favorable supporting factors. The cut in the Rediscount Rate in November, 1957, set off a sharp rise in bonds with the attendant drop in yields. The rise in stock yields and the decline in bond yields has greatly improved the bond-stock yield relationship in favor of stocks by about 1%. The cut in margin requirements from 70 to 50% on Jan. 15 will permit increased buying power when investors wish to make use of it.

The Dow-Jones Industrial Average dropped 100 points, or about 20% from its July, 1957 high to the October low. Many good-grade common stocks have declined as much as 30% to 50% from their bull market peaks and reached prices not seen since 1955 and 1954. Price-earnings ratios and stock yields are now at more attractive levels than at anytime in the past several years.

It is a mistake to think of stock price changes only in terms of a market average. While business was having a rolling adjustment in 1955 to 1957, the market was having its own rolling adjustment. In other words, while the averages remained in a trading area, many groups and issues topped out and began their own correction. Of Standard & Poor's 97 stock groups, 16 showed net losses at the end of 1955, 57 in 1956, and 76 in 1957. For the whole three-year period, for example, airlines, autos and chain stores made their highs in 1955. Aircraft, building, chemicals, papers, coppers and rails made their highs in 1956, all in different months, except papers and chemicals, both of which made their highs in April. Electrical equipments, oils, rubbers and steels made their tops in 1957, all in different months, except electric and rubbers, both of which topped in July. This means that many groups and individual stocks may have already seen their bear market lows.

Market Leads Upturn

It is important for investors to bear in mind that the stock market usually moves well ahead of business. For example, the sharp market decline in the third quarter of 1957 anticipated the unfavorable business trends which became evident in the fourth quarter. As previously mentioned, the market turned up in September, 1953, 10 months before the Federal Reserve Board Index of Industrial Production hit bottom in July, 1954.

So, in 1958, we should expect to see stock prices rise well in advance of the upturn in business. This means investors should have the courage to buy now when business news is bad. They must remember that business news is likely to continue bad for some time after the market has already turned up. If they wait to buy stocks until business indexes have turned upward, they will be paying much higher prices.

Another point investors should remember is that bear markets are of much shorter duration than bull markets. Some market analysts date the bear market from the high in April, 1956, rather than in July, 1957. This would make the bear market already 1¾ years old. Many stocks have been in their own bear market since then, as already mentioned. Also, the F. R. B. Index of Industrial Production made its high in December, 1956, 13 months ago. If you date the bear market from the July, 1957 high, it is already in its seventh month. Some market analysts believe that the lows of this bear market were made last October. This may not be the case, but if the market does go lower, we would not expect it to go much below the October lows.

Summarize Stock Market Outlook

To summarize the stock market outlook:—We will not know for sure when the bear market ended until well after the event. We know, however, that bear markets are much shorter than bull markets. We expect this bear market to be of short duration. If it has not already ended, any further decline which may be necessary to fully reflect the bad business and earnings figures of the first quarter should not be too severe. If business is on the uptrend at the end of the year, as we expect, any further decline in the next month or two would probably be the last leg of the bear market.

To the long-term investor, bear markets constitute a real buying opportunity. The period directly ahead of us will provide a better opportunity for long-term investors to buy stocks with higher yields and with greater capital gains potential than they have had in over two years.

With Piper, Jaffray

(Special to THE FINANCIAL CHRONICLE)

ST. PAUL, Minn.—Donald M. Griffiths has become affiliated with Piper, Jaffray & Hopwood, First National Bank Building.

Beverley M. Eyre

Beverley M. Eyre, associated with Theodore Tsolainos & Co., passed away Feb. 9 at the age of 66. Prior to joining Theodore Tsolainos & Co. he had been a partner in Delafield & Delafield.

Stern, Lauer Partner

Stern, Lauer & Co., 120 Broadway, New York City, members of the New York Stock Exchange, on March 1 will admit Paul L. Sipp, Jr. to partnership.

Now Southwest Management

DALLAS, Texas — The firm name of Southwestern Investment Distributors, Inc., Fidelity Union Life Building, has been changed to Southwest Management & Research Corporation.

Washington . . . And You

Behind-the-Scene Interpretations from the Nation's Capital

WASHINGTON, D. C. — The Joint Economic Committee of the Senate and House is receiving some pertinent economic testimony about the fiscal affairs of the Nation. Because it is not headline news, most of it has not gotten beyond the committee room as a result of the big volume of other news flowing out of Washington.

Some New Deal Democrats are trying their best by their public utterances to create a depression in this country. They are seeking to convince the American people that the drop in economic affairs is the result of the "tight money" policies of the Republicans, who control the executive branch of the government.

These Democrats obviously are playing politics. Many of them are up for reelection this year, and they are hopeful of avoiding a defeat by the Republicans in their districts and states. It is difficult to gauge the political pulse of the country at this time, but it is to be expected that some people will fall for the utterances and thus lose confidence and tighten their spending because they are fearful of hard times ahead.

Anderson's Views

Treasury Secretary Robert B. Anderson, touching on the economic outlook before the Joint Economic Committee, explained that this country has a growing, vigorous population, and a highly competitive and productive economy. Therefore, long range and careful planning is becoming more predominant.

The Cabinet Officer contends that our financial system has shown an ability to provide short-term and long-term financing for increasing activity and growth. And what are the expanding needs of the American economy?

"To answer that question," said Mr. Anderson, "we have only to look around us. Our population is growing at the rate of approximately 3,000,000 a year—the equivalent of adding a state the size of Kentucky to our consumer population every 12 months. We have constantly increasing demands for new products and materials from American business. We have a constant desire of all of our people to improve their standard of living and to expand the opportunities available to their children."

The law-makers heard Secretary Anderson say that American industry has made an unprecedented investment in plant and equipment. From 1946 through 1957 the investment totaled more than $300 billion. This outlay equalled military expenditures by this country from 1941 to the surrender of Japan in 1945.

Increased Productivity

The labor force, along with the vast plant expansion, is growing by 750,000 workers a year. Despite the growth, more efficient use of workers is being made. Output per man hour in the private nonfarm sector of the economy has been increasing at an average rate of more than 3 percent a year for the postwar period. Of course this increase reflects the tremendous plant expansion, better equipment and improved techniques and working conditions.

Chairman Wright Patman (Democrat of Texas) and his Committee colleagues were favorably impressed by the statements of the Treasury officials. Some of the things brought at the hearings were already known, but for the most part they were pertinent and gave an over-all picture of economic conditions now and the months ahead, through the eyes of the officials of the United States Treasury.

The level of personal income has held up well. Residential housing construction has risen slightly. Mortgage money is becoming more readily available. A sustaining influence can be expected from the stepped up Federal programs such as the vast government and state highway programs, not only the Interstate System but the primary and secondary road program. Increased defense spending is going to have a marked effect on the economy.

Some Dark Clouds

Economists, like lawyers differ on many vital questions. Perhaps nearly all economists would agree on a statement by Secretary Anderson that the confidence of the American people is the basic strength of our economy and why it has remained strong. However, many would take issue with the Secretary with his statement that "there is evidence that this confidence is increasing."

Between Labor Day and New Year's Day industrial production declined by some 6%. Approximately 3,500,000 people were unemployed by the end of December, an increase of about 1,000,000 over the corresponding period the previous year.

On the question of unemployment, M. S. Szymack, Member of the Board of Governors of the Federal Reserve System, makes his own observation: "Economists differ as to what this means," said he. "Some say that this situation will get worse; others say it is purely temporary and soon will get better. Whatever happens in the future, the situation is of immediate concern to the Federal Reserve System and, accordingly, the Federal Reserve System has been easing the credit situation for some time now."

President Eisenhower's budget recommendations call for continuation of existing tax rates on corporation income and excises on liquor, tobacco and automobiles for another year. Congress seems certain to continue those taxes.

Revenue Estimates Explored

Complying with the request of the Joint Economic Committee to elaborate on the revenue estimates in the 1959 Presidential budget, Secretary Anderson said personal income was assumed to be $343 billion for the 1957 calendar year and $352 billion for the 1958 calendar year. Corporate profits were assumed to be $42 billion in each of the two years.

The $42 billion estimate for corporate profits in both 1957 and 1958 was based by the Treasury Department on appraisal by its own staff, plus research by the Department of Commerce, the Council of Economic Advisers and the Federal Reserve Board. The estimates for individual income tax took in current economic conditions, plus continued growth. Individual income tax receipts increased $3.4 billion in each of the fiscal years 1956 and 1957. Therefore, the total increase for the two years 1958 and 1959 of $2.9 billion in individual income taxes is substantially less than the increase in this category which took place in either one of the years 1956 and 1957.

Against Tax Cut Now

Secretary Anderson told the Committee that he could conceive of situations where tax reductions might appropriately be brought into play in order to help the economic growth. However, he said the Treasury Department did not regard present conditions as warranting such action at this time. He also is confident that the growth in the economic system will continue.

Under Secretary of the Treasury Julian B. Baird says the Treasury's financing operations this year, including the financing just undertaken, is expected to be smaller than 1957. The subscription books of the Treasury have recently closed and results of the offering of a one-year certificate, a six-year bond, and a 32-year bond will be announced shortly.

Higher Sales of Savings Bonds

The Treasury records show that approximately 40,000,000 Americans now own $41½ billion of E and H bonds. About 8,000,000 people are buying savings bonds through the payroll savings plan where they work or through the thousands of financial institutions. January 1958 sales were $510,000,000, a 10% increase over January 1957.

Although E and H bonds may be redeemed on short notice by the holder, the Treasury says they in fact remain outstanding about seven years on the average.

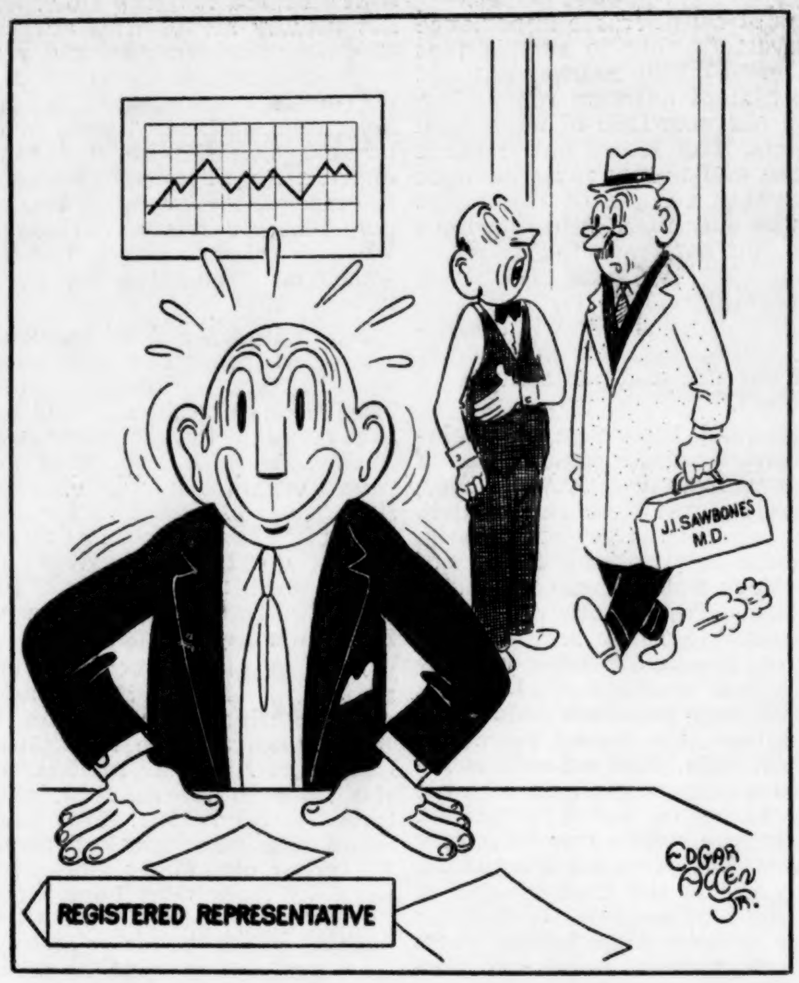
No Debt Cut Envisaged

Under Secretary Baird in his statement to the Joint Economic Committee said the present budget does not allow for further debt reduction in the year ahead. This fact had previously been discussed on Capitol Hill several times in various committees and on the floor of the Senate and House when the question raising the debt ceiling came up. The Treasury beat a steady path to the money markets in 1957. There were financing operations every month except April.

"We continue to believe," said Mr. Baird, "that it is in the long-range best interest of this country to offer intermediate and long-term securities over the next few years whenever conditions are favorable. Our recent refunding operation was based on this principle. It is obvious, however, that a great deal more has to be done."

[This column is intended to reflect the "behind the scene" interpretation from the nation's Capital and may or may not coincide with the "Chronicle's" own views.]

BUSINESS BUZZ



"His set smile that he's used for years to create customer confidence has REALLY become set!"

Business Man's Bookshelf

American Imports — A Profile of Problem (chart) — Twentieth Century Fund, 330 West 42nd St., New York 36, N. Y. (quantity rate), 1¢ per copy.

Economic Development — Charles P. Kindleberger—McGraw-Hill Book Company, Inc., 330 West 42nd Street, New York 36, N. Y., $6.50.

Failures in Business Data Processing — And How to Avoid Them — brochure describing a course for executives based on evaluation of actual business experiences with electronics — Management Science Training Institute Division of John Diebold & Associates, Inc., 40 Wall Street, New York 5, New York (on request).

Inquiry Into Cultural Trends under the American System of Widely Shared Benefits—American Round Table Panel Discussion—Advertising Council, Inc., 25 West 45th Street, New York 36, N. Y. (paper), 25¢.

Life Insurance Buying 1956—Institute of Life Insurance, 488 Madison Avenue, New York 22, N. Y. (paper).

Lumber Industry Facts 1957—National Lumber Manufacturers Association, 1319 Eighteenth St., N. W., Washington 6, D. C. (paper).

Next Hundred Years: A Scientific Symposium sponsored by Joseph E. Seagram & Sons, Inc. —Joseph E. Seagram & Sons, Inc., 375 Park Avenue, New York 22, N. Y.

People and Pay Checks — report on pay philosophies, policies and practices of the Standard Oil Company of California — Standard Oil Company of California, 225 Bush Street, San Francisco, Calif. (paper).

Shortages of Skilled Manpower—Henry C. Thole—W. E. Upjohn Institute for Community Research, 709 South Westnedge Avenue, Kalamazoo, Michigan (paper).

United States in World Trade: A Contemporary Analysis and Program for the Future—American Tariff League, Inc., 19 West 44th Street, New York 36, N. Y. (paper).

World Trade Data Yearbook—Exporters' Digest and International Trade Review, 253 Broadway, New York 7, N. Y. $1.00.

A. G. Becker Adds

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